6TH MARCH 1869.

COUNCIL OF THE GOVERNOR GENERAL OF INDIA,

ASSEMBLED AT CALCUTTA,

FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS.

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# FINANCIAL STATEMENT,

# 1869-70.

BY THE HON'BLE SIR RICHARD TEMPLE, K. C. S. I.

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1869.

# FINANCIAL STATEMENT

BY

THE HON'BLE SIR RICHARD TEMPLE, K C. S I.

6TH MARCH 1869.

MY LORD,

I have now to submit to Your Excellency and to the Legislative Council the financial Budget of British India for the official year 1869-70. This will be the tenth annual statement presented since the creation, in 1859, of the office which I have the honor to hold.

Following the practice of my predecessors, I shall divide my exposition into three parts, namely, the "actuals" of 1867-68; the "regular estimate" of 1868-69; the "budget estimate" for 1869-70. Slightly veiled under these technical designations, my meaning is just this—I shall exhibit the finances, firstly, as they have really turned out for the year that is past; secondly, as they are almost certainly turning out for the year that is present; thirdly, as they are expected to turn out for the year that is to come.

ACTUALS, 1867 68.

The first part of my subject, then, relates to the finances of the past year 1867-68. My Right Hon'ble predecessor Mr. Massey showed in his last statement that the receipts had risen from 46¾ millions sterling in the budget estimate to 48¼ millions in the regular estimate. In the statement of actuals which I have now to produce, these 48¼ millions have risen further to a little less than 48½ millions. In other words, the income of that year

£46,783,110

£48,258,500

£48,129,644

£ 1,646,534 has turned out actually $1\frac{2}{3}$ million more than what was originally estimated. This is so far very satisfactory.

On the other hand, the general and ordinary expenditure of that year has actually turned out to be

£ 49,437,339 nearly $49\frac{1}{2}$ millions, being 2* millions more than

* 2,096,707

£47,340,632 the budget estimate of $47\frac{1}{3}$ millions. Of this increase half a million arose in India, and the remainder occurred in England.

Thus it is that although the receipts of that year rose much more than was anticipated, the expenditure

£49,437,339 rose even more. And the result shows $49\frac{1}{2}$ millions of

£48,429,644 expenditure to only $48\frac{1}{2}$ millions of receipts, or an actual

£ 1,007,695 deficit of more than a million.

But the statement of general and ordinary expenditure, as I have just given it, will be found to differ from that presented by my predecessor. It will be remembered by this Council that last year he explained the distinction which had been introduced between ordinary and extraordinary expenditure. In the extraordinary expenditure he proposed to include not only the great irrigation works and the special works at Bombay, but also a part of the expense of military barracks, of roads, and other public works. After further consideration it has been decided, with the express approval of the Secretary of State, that only such works as those for irrigation or for the special land funds at Bombay shall be counted as extraordinary; and that all other public works, including military barracks, communications, and the like, shall be treated as ordinary. The principle of the distinction is clear. All public works, however beneficial indirectly, are to be provided for from the ordinary income of the year: and those works only are to be treated as extraordinary and pro-

vided for by loan which will yield a direct cash return to the treasury. In order to meet this view, the original budget estimate and the statement of actuals have been slightly rearranged. And the consequence is the exhibition of a deficit as already set forth. ACTUALS, 1867-68.

Besides the ordinary expenditure thus revised, there was also an expenditure of more than half a million on extraordinary works according to the improved definition. This added to the 49½ millions already shown brings up the total to more than 50 millions. £ 602,462 £ 50,039,801

Thus the financial out-turn of the last year, 1867-68, has been a deficit of a million, including all ordinary expenditure, or a deficit of more than a million and a half, including extraordinary expenditure. £ 1,007,695 £ 1,610,157

This result, running counter to some arguments heretofore used, does no doubt read us a lesson; especially as it follows on the heavy deficit of 2½ millions left by the preceding year, 1866-67. £ 2,617,491

So much, then, for the finance of the last year, 1867-68, as now proved by the event. And before quitting the region of actual event, I would observe that in respect to the revenues and resources of India, experience shows that the estimates, in the aggregate however favorable, are almost always outstripped by the reality. Just as wave passes wave in a rising tide, so one budget after another springs up in an ascending scale. Then although each budget estimate has surpassed its predecessor, it in its turn has been usually surpassed by the regular estimate as the year advances, which, again, has been generally surpassed by the statement of actuals after the year has closed. Such experience does indeed inspire hope.

Actuals, 1867-68.

| | £ |
|---|---|
| 1860-61 | — 4,021,385 |
| 1861-62 | — 50,028 |
| 1862-63 | + 1,827,340 |
| 1863-64 | + 78,347 |
| 1864-65 | — 193,521 |
| 1865-66 | + 2,766,008 |
| 1866 67 | — 2,617,491 |
| 1867-68 | — 1,610,157 |

But then unfortunately the same process happens with the expenditure, and the consequence has been that of the eight years that elapsed from the commencement of our budget system in 1860 up to the end of last year, three only were years of surplus, while five were years of deficit. In one year, however (1861-62), the deficit was but small, so it may be said that half the period, or four years, have been remarkable for surplus or equilibrium; while deficit has been characteristic of the remaining half.

All these deficits occurred notwithstanding that within this brief period, that is, since 1859-60, our income grew from 39 millions to 48½, showing increase of 10 millions, or more than 20 per cent.—which increase has accrued not by territorial accession involving counter expenses, but by regular development—and notwithstanding that there has been no considerable war, and that general peace has prevailed. Nor can these deficits be attributed to expansion of military and defensive establishments, for, on the contrary, the military and marine charges (incurred either in England for India, or in India itself) have fallen by full 50 per cent. The real growth of expenditure, then, has been on account of general administration or of public improvement. This fact is, on the one hand, satisfactory, as showing that the expenditure has been directly for the advancement of the people of India, the money having been spent on the country itself. On the other hand, it affords a warning that such increase being not absolutely unavoidable (however beneficial) must either be sternly kept down, or else, if it be maintained in the just interest of the country, then that some augmentation of our resources must be secured.

Again, although the retrospect of increase upon any given period, like a decade of years, is gratifying, yet the gratification would be abated if the increase were to be strictly analysed. For, on the whole, the land revenue within the period has not materially increased; doubtless the settlements, permanent or for long periods, prevent such increase, but then re-settlements in several parts of India have been made on expiry of old settlements, and yet for the country at large the net result has been to keep the total much as it was. The customs have not increased; there is nothing wonderful in that, inasmuch as the duties have been so largely reduced. No doubt the salt revenue has much risen; but then the duties have been greatly raised in some provinces. So also the opium revenue has risen; but the causes of that progress are extraneous to India. On the whole, nearly half of the 10 millions of increase has sprung from the two items of salt and opium. The rest has arisen from several sources, among which must be included assessed taxes. Thus our progress, though, on the whole, considerable, is yet not such as would indicate any *rapid* development of those national resources on which the State can rely. This progress, therefore, is not at all such as should inflate us with undue confidence or lull to sleep our financial vigilance to maintain the equipoise of income and expenditure.

ACTUALS, 1867 68.

Sir Charles Trevelyan, speaking in 1863, expressed a fervent hope—not yet realized—that the deficit of 1861-62 would prove to be "the last of the long series of Indian deficits."

My predecessor, Mr. Laing, addressing this Council in 1861, spoke with a just horror of a chronic deficit in time of peace. Mr. Laing graphically described such

ACTUALS, 1867-68.

a deficit as a "huge bully, with whom weary rounds "must be fought, who must never be allowed to claim "a cross or a drawn battle, but who must be gone into "and finished." Again, he likened such a deficit to "an "Indian tiger into whose carcase a parting shot must be "fired." Lastly, he said that if deficit could *then* be only "extinguished," the Chancellor of the Exchequer might "renounce his taxing art, and like Prospero bury his "magic wand fathoms deep." And surely enough he *did* succeed in drowning deficit for a time. For that year there was a deficit so slight as to be inappreciable. For the two following years there was a surplus. For the next year, too, there was but a small deficit. But now for two years past the deficits have reappeared. And for the current year I shall have to tell the old tale of deficit. Thus, alas! deficit, though scotched, was not killed after all. But the "bully" of Mr. Laing's time is in these days up in arms again; the "tiger" has come back to life; the smouldering flame not finally "extinguished" has burst out again in our finances.

REGULAR ESTIMATE, 1868-69.

I now come to the second part of my subject, the current year nearly expired, 1868-69.

£48,586,900

The budget estimate for this year presented by Mr. Massey showed the receipts at 48½ millions. But as the year has advanced, and as the known figures of eight months out of the twelve have enabled us to correct the budget estimate, we have been obliged to

£49,288,700

bring up the anticipated amount to 49¼ millions,

£ 701,800

showing a satisfactory augmentation of ¾ of a million. The increase distributes itself in a normal and natural manner over the many branches of our income.

The only items which I shall select for notice are customs and opium.

In round numbers the budget showed $2\frac{1}{2}$ millions for customs; the regular estimate shows $2\frac{3}{4}$ millions, or an increase of $\frac{1}{4}$ of a million, which is very satisfactory so far as it may indicate the progress of trade. The budget estimate for 1868-69 was taken at $2\frac{1}{2}$ millions, being in excess of the preceding budget ($2\frac{1}{3}$ millions), notwithstanding that during the year there had been numerous remissions of petty duties, some 40 articles having been removed from the list of dutiable imports, and 88 articles from the list of dutiable exports. Still the budget estimate rose, just confidence being felt in the elasticity of the trade. But this rising budget has, as we have just seen, been outdone by the probable results, the estimate of $2\frac{1}{2}$ being brought up to $2\frac{3}{4}$ millions. The increase is almost equally distributed among our principal ports, Calcutta, Bombay, Madras, and Rangoon; and also between the two headings of imports and exports. There is increase in the fiscal yield of such imports as silks, as metals, as stores and materials. The importation of English piece goods has been well sustained; but unfortunately the drought and distress in northern India affecting many classes of Natives who are customers for our English fabrics, has caused many markets in the interior of the country to be slack and dull.

£2,141,600
£2,713,500
£ 271,900
£2,441,600
£2,357,130

While on the subject of customs, I shall note that we have recently issued for the first time a volume of the statistics of the foreign trade and navigation for British India, prepared after the model afforded by the Board of Trade in London. Whatever may be said as to the deficiency of current statistics in India, such remarks will no longer apply to the returns of our foreign trade. Now, what does this volume show? Why,

REGULAR ESTIMATE, 1868-69.

that the total foreign trade (merchandize and treasure) amounted to 101 millions in value in 1867-68, against 95 millions in the preceding year, showing an increase of 6 millions, or 6 per cent. Just nine years ago in 1860, Mr. Wilson, when describing the financial dangers of that era, mentioned as a pillar of strength the fact that in three decades of years (that is, 30 years) the trade had sprung from 14 millions sterling in value to 60 millions. Since then another decade has passed away, the 60 millions total has risen to more than 100 millions, and the trade is still rising fast. Again, in Mr. Wilson's time, the customs revenue was just under $2\frac{3}{4}$ millions. It is a little over that now: and this notwithstanding that the duties have been reduced from 20 and 10 per cent. to $7\frac{1}{2}$ and 5 per cent., and that full 130 articles have been wiped out from the list of dutiable merchandize at the Customs House! Although only one-half or one-third of the old rate of duties is now taken, nevertheless the revenue has more than recovered itself within nine years.

Further, these latest trade returns disclose some striking facts indicative of that sort of prosperity which is the real basis of national finance. For instance, India is now taking annually full 20 millions sterling worth of English fabrics, cotton, silk, and woollen. On the other hand, she is sending away annually to England and the colonies some 8 millions sterling worth of her agricultural produce, grains, seeds, and fibres, skins and wool. This, too, is exclusive of opium and cotton. The manner in which the exportation of cotton—on which the wealth of Central and Western India so largely depends—has been sustained, even since the close of the American war, is

remarkable. Before the war, that is, before 1861, India used to send to England not more than one-fourth of the quantity which America sent. During the war, while the American production fell off, India exported as much as a million and a half of bales a year, and is still sending but little less than that quantity. The American cotton has now of course regained somewhat of its former position. But still the quantity seems hardly to exceed the $1\frac{1}{2}$ or $1\frac{1}{4}$ million of bales which India now contributes. The great position which India is acquiring in the cotton marts of England is owing not only to the stimulus afforded by the American war, but to the efforts persistently made by the British Government through its own Special Commissioners to improve the culture of the indigenous staple, to ensure the produce being properly cleaned and packed, and transported without damage to the seaboard: all which is aided by the pressing with European machinery fast springing into use in the interior of the country. Again, the progress is remarkable with the articles produced in India chiefly through the exertions of our own countrymen. For India is now sending away annually 8 millions of pounds of tea and 37 millions of pounds of coffee; while the value of her indigo export is nearly 2 millions sterling per annum, and of her silk $1\frac{1}{2}$ millions. That these results should be achieved through the direct agency of a handful of non-official English gentlemen, is one among the many wonders of the time.

REGULAR ESTIMATE, 1868-69.

Next, for opium, in round numbers the budget estimate showed under $8\frac{1}{2}$ millions: the regular estimate shows upwards of $8\frac{3}{4}$ millions, being an increase of half a million. This arises not at all on the Malwa

£8,385,800
£8,886,400
£500,600

Regular Estimate, 1868-69.

or Bombay opium, but almost entirely on Bengal opium. So far as can be seen, the Malwa opium is yielding much about the amount that was anticipated. The duty being a fixed duty of Rs. 600 a chest, the fiscal yield depends entirely on the number of chests sent for exportation; and that number has as yet corresponded closely with the estimate. But the prices obtained at the Calcutta opium sales have gone considerably beyond the budget estimate. In that estimate Mr. Massey assumed a price of Rs. 1,250 (£125) per chest. For the previous year he had assumed only Rs. 1,150. Finding that this latter estimate had been exceeded by the reality, he decided to go higher for this year, and so he took Rs. 1,250, an apparently high rate, according to experience of several recent years, expressing, however, a good hope that this enhanced estimate would prove moderate and would be outdone by the reality. And surely enough it has been so outdone. For up to date the auction prices have averaged Rs. 1,380 a chest, and sometimes have even over-topped the high price of Rs. 1,400. Further, this fiscal increase has accrued notwithstanding that the Bengal authorities have only been able to bring 47,235 chests into the market instead of 48,000, or 765 chests short of what was to have been expected. This deficiency of supply was caused by the shortness of the crop of last year in the Behar Province, which for want of seasonable showers was less than it should have been on the area under culture.

The receipt side for 1868-69 being thus satisfactory, how stands the expenditure side? Now, here the first noticeable feature is this, that the ordinary expenditure of all kinds, according to the improved definition,

£46,521,260, old classification.

has risen from 46½ millions in the budget estimate

to 50¼ millions in the regular estimate, showing an increase of 3¾ millions. But this increase is not really so formidable as it looks; for by the improved classification 1¾ million for military buildings and for communications and embankments, which were excluded from the ordinary expenditure in the budget estimate, have now been included, causing, of course, a corresponding diminution of the extraordinary expenditure. And this leaves 2 millions of increase to be accounted for.

£50,259,171, new classification.
£ 3,737,911
£ 1,822,090

Now, the Council will be glad to hear that this increase has not arisen upon the ordinary civil and military charges incurred in India. On the contrary, these heads of charge show rather a saving than otherwise. For instance, the regular estimate shows a reduction on the budget of £60,000 under the charge for collecting land revenue; of £50,000 for collecting the salt revenue; of £75,000 under law and justice; of £70,000 under police; of £100,000 for the army, and this saving has been effected after defraying the extra charges (some £50,000) for the recent expedition in Hazara. All these savings speak volumes for the rigour with which economy has been enforced during the year by the various executive authorities, and for the precision now attained in our system of audit and account. On the whole, the budget expenditure for civil and military charges in India stood at 35¼ millions, and the real expenditure comes out at that very sum with but a slight difference. And even that difference is explained by our having paid £200,000 (not originally estimated for) of Berar surplus to the Nizam in the just discharge of our obligations on that score. Much has often been said of the uncertainty of Indian accounts. These figures go to show that as regards the civil and military expenditure

£ 62,320
£ 51,900
£ 74,670
£ 66,160
£ 101,500
£35,123,390
£35,417,210

REGULAR ESTIMATE, 1868-69.

*in India*—which is of course well under our control—there is no such uncertainty, and that what is budgetted for under these heads will not materially be exceeded.

Where, then, has the increase over the budget estimate occurred? Why, it is attributable to public works ordinary, to expenses connected with railways, and to unavoidable expenditure in England, as I must proceed to show.

The budget grant for public works ordinary amounted, according to the improved classification, to £5,624,660 5⅔ millions. The regular estimate shows that expenditure £5,973,340 will be incurred up to 6 millions; showing an increase £ 348,680 of ⅓rd of a million. The increase has arisen from various causes, among which may be mentioned the outlay on central jails, and the execution of works for the relief of the population suffering from scarcity in the drought whereby some parts of India are visited.

I have just above stated that 1¾ million classed in the budget under extraordinary expenditure had by the new classification in the revised estimate been transferred in the ordinary expenditure. Of this amount, £1,363,880 1⅓ million is for the great military barracks. As explained by my predecessor last year, the scheme for new barracks for European troops throughout India was to cost from 10 to 11 millions, and the work was to be done in a period of five years. It is hoped that the estimated cost may not be materially exceeded, but to secure this result the most unremitting vigilance will be needed. Be this as it may, however, the period of construction will certainly be prolonged, for the five years have now elapsed, but the work is not half done; and out of the 10 millions only 5 have

been spent, leaving at least 5 yet to be laid out. But the designs had to be elaborated by the best military engineers in India, and then sent to the first sanitary authorities in England for approval. Then new sites had to be selected after long enquiry as to salubrity and the like. Thus, despite every care and anxiety to push on the work, the progress for the first few years was not rapid. More recently, however, the plans having become finally settled, and the establishments fully organized, great progress has been made, and during the current year no less than $1\frac{1}{2}$ million is being expended on these buildings. The result is that noble structures, providing for the married and unmarried soldier quarters equal to the best to be seen in any country, are rising up at Allahabad, at Lucknow, at Hyderabad, at Poona, at Bangalore, at Indore, and at many other stations. Nothing that science can suggest to make these quarters healthy and comfortable for the troops has been omitted. At the present rate of progress and of expenditure, it is hoped that the work will be finished some six years hence, which with the years already occupied will make a period of eleven years.

Out of the 5 millions as yet spent on the barracks, whether the greater part has been really borrowed or not, I shall presently explain. But the remainder, amounting to some 5 millions, is certainly to be provided for from the revenues without any borrowing on this account. This is a matter lying at the very root and foundation of the Government itself, to which our fiscal resources ought primarily to be devoted. The provision thus required is therefore one of the most pressing needs of the day. And as days are like years in the life of a nation, the meaning is, that the need of the day shall

REGULAR ESTIMATE, 1868-69.

in this respect be met financially in the day, and shall not be put off till the morrow and the day after the morrow. At one time indeed there was hope that inasmuch as this was special expenditure, the advantage of which would be felt for ages to come, the whole cost should not fall on us now living, but should by the process of borrowing be partly transferred to those who shall come after us. But reflection shows that those who come after us will have plenty to pay for without paying for any part of these barracks! Will any one say that when these barracks are finished there will be nothing more of importance to be done in this direction? Is there not sanitation to be carried out at our cantonments and stations to an extent which at present can be but dimly fore-shadowed? Are there not our coast defences and fortifications to be provided for? Is there not our marine to be strengthened, a subject which has been alluded to more than once in this Council? Again, by reason of so large a proportion of our means being appropriated to military buildings, the expenditure on some other kinds of public works, especially roads, has unavoidably lagged and halted. Recently we have not spent quite so much as we once were spending on our internal communications. When, therefore, the financial pressure for military buildings shall be somewhat lightened, renewed vigour will be required for the roads, particularly those which are called railway-feeders, as leading from the interior of the country to the various stations,——which are to supplement our railway system, and to be, as it were, the veins to the main arteries.

Speaking in 1867 regarding this very barrack expenditure, Mr. Massey made a remark which is so apposite

and judicious that I shall quote it here. He said: "I should have preferred going on as hitherto defraying "this charge, special and temporary as it is, out of the "revenues of India. If a financier were to lay down "any precise rule of separation between ordinary and "extraordinary charge, there is scarcely a year in which "he might not have a plausible pretence for transferring "charge from revenue to capital account. I do not "know how long such a process might go on. But sure "I am that sooner or later it would end in a collapse of "public credit." REGULAR ESTIMATE, 1868-69.

Such was the dictum of Mr. Massey, to which I heartily subscribe. The principle on which canals and State railways are provided for by loan is intelligible. But if barracks are to be thus treated without any clear principle and removed from ordinary expenditure, then I know not what item might not be next removed, till at last we embarked on a course of borrowing that would be fit only for bankrupt exchequers.

There is one instance of decrease under the head of public works, which is this: the item of "loss by exchange on railway transactions" has fallen from £122,700 in the budget to only £29,700 in the regular estimate. At present the practice is this: in India our exchequer advances all that is required for the construction of the railways, and receives all the traffic receipts, in virtue of arrangements originated so far back as 1849. Both our payments and our receipts are accounted for to the principal railway companies at a fixed contract rate of 1*s.* 10*d.* for the rupee, a rate as yet below the actual exchange and below the exchange of two shillings for the rupee, which for convenience sake is adopted in all the accounts between the Secretary of State and the Government of India. Thus there is a

REGULAR ESTIMATE, 1868-69.

loss on all our payments and a gain on all our receipts, in the present state of the exchanges. As yet our payments exceed our receipts and the loss therefore exceeds the gain; the net result being as shown in the statement. Hereafter, when, as we may hope, the net traffic receipts shall exceed the advances for construction, the loss will disappear, and in its place there will be gain on exchange. Meanwhile the loss in this year has been less than the estimate, partly by reason of increased traffic receipts, and partly because the advances for construction have been less than what was expected.

£5,973,340

The several items of public works ordinary which I have thus described make up the total to 6 millions, which total amounts to about 12 per cent. upon the revenues.

£1,202,900

£1,677,030

The next noticeable item is that of "guaranteed interest on railway capital, less net traffic receipts," which has risen from $1\frac{1}{4}$ million in the budget to nearly $1\frac{2}{3}$ million in the regular estimate; or showing an increase of nearly half a million. This has arisen from the estimate in India for gross traffic receipts being less than what was originally expected.

This technical description is really pregnant with significance as representing transactions of mighty import. For what does it signify? Why, it signifies that on 77 millions of capital raised for the construction of railways in India, there accrued during the year $3\frac{3}{4}$ millions of interest due to the shareholders under guarantee from the Indian Exchequer; that the gross traffic earnings of the year on 4,000 miles of railway opened in India amounted to $5\frac{3}{4}$ millions paid into our treasuries, reduced by the exchange to

$5\frac{1}{4}$ millions; that the working expenses, amounting to 3 millions, left $2\frac{1}{4}$ millions of net traffic receipts; that the $2\frac{1}{4}$ millions net traffic receipts deducted from the $3\frac{3}{4}$ millions of guaranteed interest left a sum of $1\frac{1}{2}$ million shown above as ultimately debitable to the finances of the year. Originally there used to be doubts as to whether the natives of India would adequately appreciate railways. The truth is that during this present year the public in this country is voluntarily paying 6 millions sterling to obtain the advantage of railway conveyance for passengers and goods—that in the year some 3 millions of tons of goods are conveyed by rail, and that the return of passenger journeys amounts to 16 millions. As regards the national growth of British India, it is difficult to conceive figures more eloquent than these!

REGULAR ESTIMATE, 1868-69.

In the first budget statement ever submitted to this Council in 1860, Mr. Wilson gave the gross traffic receipts for that year at a little over $\frac{1}{2}$ a million, and the working expenses at a $\frac{1}{4}$ of a million, leaving a net receipt of something over a $\frac{1}{4}$ of a million. This he declared to be "a most gratifying fact, one which augurs well for the future." Would that he were now alive to hear that in this the tenth budget statement submitted to this Council, the $\frac{1}{2}$ million of gross receipts had grown to near 6 millions, and the $\frac{1}{4}$ of a million of net receipts to between 2 and 3 millions,—that within ten years the increase had been tenfold or nearly elevenfold!

The last item to be noticed is that of net expenditure in England, including stores, which has risen from $6\frac{1}{3}$ millions in the budget to $7\frac{1}{4}$ millions in the regular estimate, showing an increase of more than $\frac{3}{4}$ million. This account being received from the Secretary of State must be implicitly accepted. The augmenta-

£6,392,400
£7,191,591
£ 799,191

REGULAR ESTIMATE, 1868-69.

tion has arisen under various heads, such as the Indo-European telegraph; the marine stores; the passage of officers and troops overland. There is one important item actually incurred and not provided for in the budget, namely, £92,000 for the construction of two monitors or floating batteries for the defence of the Bombay harbour. Considering the needs of that harbour, we feel particular pleasure in admitting this item into our accounts of the year.

£50,259,171 £49,288,700 £ 970,471

Thus I account for an ordinary expenditure of 50¼ millions, which, as compared with the ordinary income already shown, 49¼ millions, leaves a deficit of just 1 million.

Under the head of extraordinary public works the first item is the outlay on irrigation works, for which £800,000 were provided in the budget, but on which £852,000 are being expended in India. One main cause of the increase is the amount advanced by the Government to enable the Irrigation Company of Orissa to prosecute its life-giving works during a period of awful distress in that province, and by the immediate outlay consequent on the prosecution of these operations being undertaken by the State.

£ 420,000

The next item is that of nearly ½ a million for special works at Bombay, which item really represents advances from the treasury for certain reclamations and other operations on lands at Bombay,—advances which we hope to recover hereafter when the value of the said property shall be realized.

Under the same head we have, subject to the approval of the Secretary of State, opened out a new heading, which was not provided for in the budget, and that is "State Railways." These are reproductive works calcu-

lated to yield an actual income to the State sufficient ultimately for the provision of some interest on the capital outlay. In his statement before this Council last year, Mr. Massey alluded to the commencement, by direct governmental agency, of the construction of the railway from Lahore to Peshawur. Though important preliminary arrangements have been made during the year for this line, yet the expenditure is trifling, only £12,000. The sum which now appears in the regular estimate, ½ a million, is nearly all for the Calcutta and South-Eastern Railway, which, as the Council knows, runs from this city to the new Port Canning on the Mutla river. This line has been taken over by the Government at a charge amounting in the aggregate as above. Of this, nearly £200,000 have been incurred in India, and the rest in England. At first the line was unremunerative, but under its present good management it begins to pay its working expenses.

REGULAR ESTIMATE, 1868-69.

£ 544,273

The total extraordinary expenditure, including the sums above mentioned for irrigation, for special works at Bombay, and for State railways, will amount to 1¾ millions. This exceeds the corresponding expenditure of the preceding year, 1867-68, which was under ¾ of a million.

£ 1,830,773

£ 602,462

On the whole, the grant for the public works ordinary and extraordinary of the year amounted to close upon 7 millions, and is about as large a grant as has ever been made. But it is being exceeded by the expenditure, which will amount to 7¾ millions, the excess being ¾ of a million, and the expenditure being decidedly the largest ever yet attained in one year. It

£ 6,894,660

£ 7,804,113

£ 909,453

REGULAR ESTIMATE, 1868-69.

is important to notice this, because in former budgets consideration has been justly had to the probability of the grants or allotments for public works not being fully used.

The result of the regular estimate, then, is an ordinary expenditure of 50¼ millions, which with an extraordinary expenditure of 1¾ million swells to 52 millions. The 50¼ millions of ordinary expenditure, compared with the revenue of 49¼ millions already exhibited, shows a deficit of 1 million. The 52 millions, including extraordinary expenditure, shows a deficit of 2¾ millions. The Council will remember that the budget estimate showed a total expenditure, ordinary and extraordinary, of 49½ millions, against a revenue of 48½ millions, with a deficit of 1 million. But as the year advances it is seen that this deficit is becoming more than doubled in the regular estimate, and the expenditure of the year is exceeding the budget by 2½ millions. I may state in recapitulation of what has been already explained that this excess has hardly at all arisen on civil and military expenditure in India, but has really arisen on the purchase of a railway by the State, on the guaranteed railway interest, on public works ordinary, and on the expenditure in England.

£ 50,259,171
£ 1,830,773
£ 52,089,944
£ 49,288,700
£ 970,471
£ 2,801,244

The Council will remember that in his statement of last year, Mr. Massey mentioned that we should begin this twelve-month with £800,000 in hand, unexpended balance of loans, and expressed a hope that no borrowing would be resorted to during the year. It will now have been seen that the above balance has been more than used up for irrigation alone. Besides that there have been the other extraordinary works above described. And it has accordingly been found necessary to borrow

Raised in England ... £1,236,000
Less debt discharged ... £ 502,600
£ 733,400

to a limited extent in England, that is, about ¾ of a million.

REGULAR ESTIMATE, 1868-69.

We began the year with a cash balance as now actually ascertained of 12 millions, which was at that season enough, and no more. Besides the increase of the deficit, these balances were reduced to the lowest ebb compatible with safety, by an important cause which I will now mention.

£11,899,233

During the past and the present years (1867-68 and 1868-69) the Indian Exchequer has had to advance most of the sums required for the expedition to Abyssinia. These advances from first to last have amounted to about 7 millions, being fully 2 millions more than the anticipation. This aggregate represents only the sums chargeable to the English Government, exclusive of the ordinary pay of the troops that proceeded from India, which is chargeable to India. With such events in progress, all foresight as to the total amount was of course baffled. These sums are recoverable from Her Majesty's Exchequer, and they are being duly recovered from time to time; the greater part indeed has now been repaid. But as the advances had to be made on the instant, and as the recoveries must necessarily occupy some little time, the pressure meanwhile became severe on our treasury. As temporary emergencies arose, the Bank of Bengal and the new Bank of Bombay rendered aid, partly with their own available balances and partly with the balances which the State has to keep with them under the agreements. Besides this, the Bank of Bengal afforded temporary and special loans which from first to last aggregated 1¼ millions. These loans have been already paid off in part, and the rest is in course of repayment.

£ 1,230,000

REGULAR ESTIMATE, 1868-69.

Further, the accounts of the expenditure incurred in India for Abyssinia are being made up at Bombay. Although the forces only in July last returned from the expedition, yet by this date some 6 millions, or nearly the whole of the expenditure, have been adjusted and passed. Those who remember how the accounts of former campaigns in Affghanistan, in the Punjab, in China, used to drag their length over years and years, will appreciate the changes which have been introduced into the account department.

Thus ends the year 1868-69, with a deficit on ordinary income and expenditure, being the third consecutive year on which deficit is leaving its mark. The £4,495,657. deficits of the three years amount to just 4½ millions, total deficiency *on income and ordinary expenditure, viz.*, the deficit in 1866-67 of 2½ millions, that in 1867-68 of 1 million, that in 1868-69 of 1 million. These are, of course, exclusive of the extraordinary expenditure since 1867-68 on reproductive works, which I do not reckon here at all.

But how has this aggregate deficit of 4½ millions been met? Why, by loans. During these three years, 6½ millions have been borrowed either in India or in England and added to our national debt.

| | India. | England. | Total. |
|---|---|---|---|
| | £ | £ | £ |
| 1866-67 .. | 600,000 | 2,641,900 | 3,241,900 |
| 1867-68 ... | 1,329,800 | 1,163,907 | 2,493,707 |
| 1868-69 ... | ..... | 724,000 | 724,000 |
| Total ... | | | £6,408,607 |

£ 600,000
£1,329,800
£1,929,800

Of this sum there were 2 millions expressly borrowed for extraordinary and reproductive works, and certainly this money has been fully and fairly devoted to its proper purposes, for during the three years the total outlay on irrigation, and on the Bombay special works, have exceeded 2 millions; indeed it has come up to 2½ mil-

| | | |
|---|---|---|
| 866-67 | ... £ | 603,726 |
| 867-68 | ... „ | 601,868 |
| 868-69 | ... „ | 1,286,500 |
| Total | ... £ | 2,492,094 |

lions. Besides which one railway has been purchased for half a million.* So that in truth we have spent 3 millions for these reproductive works. Again for the barracks 3½ millions have been expended within the three years. Thus the loan money is fully accounted for.

REGULAR ESTIMATE, 1868 69.

*£ 544,273

On the other hand, as the barracks are now included in the ordinary expenditure, the 3½ millions spent on them within the three years may go far to account for the 4½ millions of deficit. In other words it may be said that the balance of the loan after defrayal of the reproductive works expenditure—which balance amounts to just 3½ millions—has gone to make good in part the deficits between income and ordinary expenditure.

£ 3,624,663

From this point of view we might hold that had it not been for the barracks, the deficits on ordinary income and expenditure would not have occurred, and these loans would not have been necessary. But it would thence follow that the new barracks have for the most part been constructed from borrowed money.

When my Right Hon'ble predecessor (Mr. Massey) spoke of surplus or equilibrium during these years, he was correct according to the view then adopted, whereby the barracks were excluded from the account. Now, however, that it has been decided, with the express sanction of the Secretary of State, that these are to be included, we must face the plain fact that we have been and still are in a state of deficit. It is essential to place this fact in a clear light in order that we may adequately arrange for the coming year. For the difficulty, though not serious, is yet such as to demand decisive measures for its immediate termination.

REGULAR ESTIMATE, 1868-69.

But while giving this explanation in justice to what has been previously done, I do not at all mean to admit that the barracks *ought* to be selected as *the* cause of deficit. On the contrary, I say that barracks ought *not* to be thus singled out from our general expenditure.

ADMINISTRATIVE MEASURES.

Before quitting the present year, I must crave a few moments for the mention of one or two administrative measures connected with finance.

The circulation of the State paper currency has now risen above 10 millions, it has more than once approached 11 millions. When the Government took this matter up six years ago, the total note circulation of the several Presidency Banks amounted in all to $3\frac{1}{3}$ millions. Within this period, then, the circulation has trebled, and has now reached to about one-third of the amount, 30 millions, which its founder, Mr. Wilson, contemplated as the possible limit to which paper currency in India might ultimately expand. It has established itself not only at the Presidency towns, but at the great centres of the interior of the country, such as Allahabad, Lahore, Nagpore, and Kurrachee. During the year, we have, by purchasing $\frac{3}{4}$ million of public securities—virtually reducing the national debt by that amount—raised that portion of the reserve from $3\frac{1}{4}$ millions to 4 millions, the limit allowed by law. This measure was justified by the steady expansion of the circulation. The gross profits to the State from the Currency department will amount to £170,000 annually. The notes, too, are used by merchants to the value of some millions annually for purposes of remittance, whereby great convenience has accrued to trade. Further improvements in the arrangement of circles of issue in

order to facilitate the convertibility of the notes are under consideration. ADMINISTRATIVE MEASURES.

The amount realized from the sale of waste lands now amounts to £300,000. This has been invested in Government securities, public debt to this amount being regularly cancelled. This seemed necessary in order to give full effect to the intention of the law.

The provision of an effective gold currency for India has engaged our earnest attention. The offer of 10 Rupees for the sovereign at our treasuries by the Notification of 1864, having been found by experience to be insufficient to attract sovereigns and to fulfil the declared intention of facilitating the circulation of that coin, we determined in November last to offer Rupees 10 and 4 annas for the sovereign—a rate more nearly approaching to its intrinsic and market value. This measure has met with some success, for already upwards of 100,000 sovereigns have been received at our treasuries and taken out again by the public. We have also removed the prohibition existing since 1852 against receiving at our treasuries the gold pieces coined under Act XVII of 1835, of which coin numbers (more than 1½ million) have been and still are being coined at our mints in exchange for gold bullion received from the public; a sure proof of the popular demand for them. Thus, by improving the rate offered for the sovereign; by assimilating it to the standard established by law for coinage of gold in India; by restoring the status which the Indian gold coins properly possess, and which they only lost casually in 1852, we hope to obtain such a circulation of gold coins in India as may hereafter justify their being declared to be legal tender. I cannot pass from this topic without recounting the aid derived from the special know-

ADMINISTRATIVE MEASURES.

ledge and experience of Mr. Dickson, Secretary to the Bank of Bengal, and of our colleague His Excellency Sir W. Mansfield. Indeed, if India, by the means now adopted, shall enjoy the benefit of a gold currency, that will be largely owing to the exertions of His Excellency.

The Government Savings Banks at the three Presidency towns are flourishing: they have in all some 25,000 thousand depositors, chiefly native, and some £650,000 of deposits. Their success has encouraged us to devise measures for the ramification of these institutions throughout the interior of the country.

The "Money Order Department," established on the model of similar departments in England, has attained a considerable development throughout India. Its transactions during the year amount to an aggregate of a million sterling. The further expansion of the system is under consideration.

In the Postal Department we have decided to carry half a tola, instead of the quarter tola, for ½ an anna. This concession to the public is justified by the increase of correspondence since the reform of the postage in 1854, the number of covers, public and private, having risen from 30 to 70 millions annually; the receipts from private postage having risen from £200,000 to 400,000 per annum, and the department having so extended as to cover 50,000 miles of communication and to number 20,000 employés.

Following the postal principle, we have substituted for the Electric Telegraph fixed rates for all distances, instead of the former tariff, variable according to distance. Accordingly, a message of ten words can be sent to any part of India for a rupee. It is hoped

that a stimulus will be hereby applied to telegraphic communication in this country. ADMINISTRATIVE MEASURES.

The prices commanded in the market by our Government securities have been satisfactorily high. During the current year the premia on the Government 5 per cent. stock have ranged up to 10 per cent.; those on the 5½ per cent. stock up to 15 per cent. The prices of the Indian stock created in England appear to have been at least as favorable, perhaps even more so. These rates indicate that our credit stands as high as, or higher than, ever, and will bear comparison with that of other prosperous nations. Such facts, too, contrast happily with the state of things but a few years back, when our stock was at discount, and when our open loans would not fill! But this credit, so mighty a resource to Government as well as to individuals, can only be maintained by our ensuring public confidence in our firmness and resolution to produce an equilibrium of income and expenditure.

I must acknowledge, after trial and proof, the remarkable improvements introduced into our system of audit and account by the commission from England, consisting of Messrs. Foster and Whiffen, appointed at the instance, and acting under the supervision of my predecessor Sir Charles Trevelyan.

I have given much thought to a subject which has long engaged the attention of the Government of India, namely, the financial relations between the Central Government of India and the Local Governments of Madras and Bombay. I cannot say more at present, as the question is still under consideration.

I have now cleared the way for dealing with the third and the most interesting part of my subject, BUDGET, 1869-70.

BUDGET, 1869-70. namely, the budget estimate for the coming year, 1869-70. I shall touch first on the receipts and then on the expenditure.

£49,340,810 The total of the revenues for the coming year is taken at 49⅓ millions, being a little over the amount which we are receiving for the present year. This total of 49⅓ millions is the highest at which the revenues of British India have ever been set down, and it exceeds £18,586,900 by ¾ million the budget estimate presented this time last year. The Council will be doubtless gratified to see that I am able to present such a statement. Still a glance at the main items of revenue will show that the estimate is scrupulously moderate. The great heads of Land Revenue, of Customs, of Salt, of Opium are all taken at fairly low figures. If the seasons had been less unpropitious than they have been, then these amounts might have been higher. If we shall hereafter be blessed with copious and timely rain, the estimate of income may be fortunately exceeded.

Regarding those items which depend on the state of trade, we have framed our estimate after consulting all the best informed authorities on the spot, and after revising the tariff valuation, in order to suit the depressed prices obtained for various staples of commerce.

Regarding those items which depend on the state of the harvests, we have looked to the consequences of the drought by which some parts of India have been suffering. The recent rains—life-sustaining, though so long delayed—with which the country has been refreshed, have no doubt improved our prospects. The gloom which overspread some provinces has been

brightened, and drooping spirits have been resuscitated among an industrious population which had for months been gallantly struggling with adverse circumstances, alternating between hope and despair, and striving with fortitude, diligence, and foresight to supplement artificially those resources which the natural seasons had failed to afford. At this crisis the railways have been of signal service to humanity, for they have carried, first and last, some fifty thousand tons of grain food to the hunger-stricken districts during this season. The Ganges and Jumna canals, too, have during the year nearly doubled their irrigation, and have watered nearly a million of acres. So praiseworthy have been the efforts of the people that even now, at this late hour, it is thought that the worst for which we were so fully prepared may yet be averted, and that if only a bountiful rain shall be vouchsafed next season, the country will recover from the effects of the visitation. In that case the agricultural resources on which our land revenue depends may not prove to be impaired, and the tolerably favorable estimates now presented may stand good. But if the next rains shall be at all unpropitious, and a second misfortune be piled upon the first, then the result will be too sad and serious for anticipation.

These considerations have specially affected the opium revenue. The province of Behar, the very home of the poppy, has been among the most drought-stricken districts of all. The crop, short last season, will be shorter still this season. The number of chests brought to sale this year has been below the standard* by some hundreds of chests; next year it may be deficient by some thousands. For Bengal opium the exact number of

* 48,000 chests.

BUDGET, 1869-70.

chests has been taken month by month. This number is certain for three-quarters of the year. The uncertainty is in the price to be realized per chest. The average price has been assumed at Rs. 1,330 (£133) per chest, that being about the average actually realized during the past three years, though less than the average, Rs. 1,380 (£138) per chest, obtained during the current year. For the Bombay opium, the full amount has been taken according to the experience of the present year. The total result of the opium revenue has been further tested by the gross average of the past three years, which, amounting to $8\frac{1}{3}$ millions, sufficiently bears out the sum, $8\frac{1}{4}$ millions, now set down. Thus, although the sum estimated for the coming year is half a million less than that which is being realized in the current year, and is below the average of the three past years, thus showing a really cautious estimate, yet it is as high a sum as could safely be taken in the face of the deficient supply with which we are but too certainly threatened. The Council will see that the whole of the expected revenue has been taken credit for without any reserve being formed.

£8,110,624.

£8,286,540.

The Government of Bengal is taking active measures for increasing the supply of opium for the China market to 50,000 chests annually, and for securing a reserve supply (of at least 10,000 chests) which may assure the public as to the quantity to be brought to sale, and may conduce to the checking of undue speculation in prices. There is fear that unless the supply can be improved next season after these two deficient seasons, the cultivation of the poppy in China itself will be stimulated. For some time past positive

accounts have been received of the increase of this culture in China. So it is clear that unless Bengal produces enough opium, the Chinese will raise it for themselves. And if the Chinese will have opium, they may as well get it first rate from us, as second rate at home, and they may as well consume it taxed as untaxed. Again, if they do not procure it from us, they might procure it from other countries of Asia. The culture of the poppy in Persia is increasing, and some 4,000 chests are exported annually from that country to China. The propriety of substituting an open excise system in Bengal for the present direct governmental agency, has been under consideration. But the propriety of such a change on either moral or practical grounds is not as yet established to our satisfaction. On the other hand, it is a serious thing to make a change in a case where such critical interests are concerned, where despite fluctuations the fiscal progress has been so great and so steady, and where the system works well to the satisfaction and contentment of the peasantry concerned in the cultivation. BUDGET, 1869-70.

The revision of the salt duties throughout India has engaged and is still engaging our anxious consideration. The inequality in the rates of duty and the market prices of such an article as salt in different portions of the empire is indeed to be deplored. But though there are present obstacles, financial and other, in the way of equalization, we shall bear this steadily in view as an object for ultimate attainment. But after all, what the northern people want, even more than reduction of duty, is increased facility of supply by the construction of railways to the saliferous tracts and by the encourage-

BUDGET, 1869-70.

ment of local manufacture of salt—to all which matters immediate attention is being afforded.

As the Council knows, there is a revision going on of the schedules of the Stamp duties; but no provision has been made for the fiscal effect of any changes, as they have not yet been finally determined.

The item of assessed taxes I shall reserve for separate mention after the balancing of income and expenditure.

Such, then, being the receipts, how stands the expenditure for the coming year?

The total of ordinary expenditure is set down at £49,288,190 49¼ millions, being some fifty thousand pounds below £ 52,650 the total of receipts. In other words, there is a real equilibrium between expenditure and income sufficiently assured by the exhibition of a small surplus of fifty thousand pounds. This expenditure is 1 million *less* £50,259,171 than the expenditure of 50¼ millions for the current year 1868-69 incurred for precisely the same purposes, and thus accurately compared.

There is a slight increase, after every practicable retrenchment, in several of the Civil departments. The Council would be wearied if I entered on the details of this. Suffice it to say that the demands for administrative improvement in every direction are irrepressible; and these involve expense. Again, the general rise in wages and in prices of all things, which have doubled or even trebled within the last few years and are still on the ascendant in most places, has for some time past caused, and is still causing, the former scales of pay and of salaries to prove insufficient. In justice to the many classes of its meritorious servants,

the Government has been obliged to concede increase of emoluments to the employés of all grades, from the lowest upwards, in all departments, from 15 to 30 per cent. The only general exception to this has been the case of the Covenanted Civil Service, of which the emoluments remain much as they were. BUDGET, 1869-70.

There are only a few items of expenditure which need now be noticed. That for Police amounts to nearly 2½ millions. The police of India under its new organization was originally estimated to cost 2 millions; the subsequent tendency to increase has been largely owing to the establishment of Municipal Police.* Much care will be needed if the sum total is to be kept down at its present figure. The educational grant stands at upwards of £900,000, or nearly a million, being slightly above the expenditure of the current year. The allotment for Law and Justice, including prisons, now exceeds 2¾ millions; and is constantly increasing from the creation of new courts and departments. The grant for medical services has risen about 15 per cent. within the last two years. This is owing to the substantial recognition of the medical profession by increased pay, and to the position which sanitation is fast asserting for itself. The cost of forest conservation is also rising: this is attributable to the organization of professional forestry, and to the husbanding of that vast wealth in timber with which Nature has endowed the continent of India.

£2,374,290

£ 912,200

£2,969,670

£ 413,080

The military expenditure in India is estimated at upwards of 12¾ millions, being almost the same amount as that which is shown for the current year. This is of course exclusive of some 3¼ millions of expenditure

£12,650,000

£3,202,061

* For the charge for Municipal and Railway Police there is a set-off on the receipt side of £300,000, for municipal and railway contributions credited to the State.

BUDGET, 1869-70.

in England. The sums of 21 and of 16 millions are the highest annual figures which our Military expenditure in India has reached. After the great retrenchments which took place between the years 1860 and 1863, upon the above amounts, the sum of $12\frac{3}{4}$ millions (in 1863-64) is the lowest figure to which our military expenditure in India has fallen. Since then the charge has slightly increased, notwithstanding that the European force has been reduced by some 7,000 men. It might be expected that such a reduction of force would have caused a considerable reduction of expenditure. Instead of this, however, there has been an *increase*, despite constant efforts to keep down the charges,—a fact which points to the need for redoubled economy. The increase, so much to be regretted, is in part attributable to unavoidable causes, such as;

£12,697,069

the warrant regarding the clothing and pay of the European troops and the inducements to re-engagement at an earlier date;

the increased subsistence allowance to the wives and families of European soldiers;

the additional pay allowed to native commissioned officers; the grant of good conduct pay to the sepoys at an earlier date; the continuance of batta to men on leave; the increased rates of hutting money;

the increased pay of medical officers, of the medical staff and establishment, the re-organization of the warrant or subordinate medical establishment;

the abolition of half batta;

the net cost of the staff corps;

the compensation to native troops for dearness of provisions.

These main items have caused an increase of annual charge by £950,000, to counterbalance which further

savings are required, if such can possibly be made. Certainly there are categories of increased charge which call for restraint. The commissariat charges, though in some places creditably economical, are hardly so in all places. The charges of the hospital departments, of the ordnance, of the barrack department, of the stud, of the army and garrison staff, are constantly mounting upwards. BUDGET, 1869-70.

The charge which some years hence will accrue to the State from the present organization of the staff corps of India has engaged our anxious care. The question as to what measures should be adopted in respect hereto is still under consideration.

Doubtless the growth of army expenditure, though slight and gradual, requires check in every branch and detail; which check we shall assiduously apply.

For public works ordinary, exclusive of railways, the allotment stands at $5\frac{3}{4}$ millions, being just over the amount expended in the current year, and being about the largest grant ever yet made for this important object. It includes nearly $1\frac{1}{2}$ million for the military buildings, of which the importance has been already explained—an amount which will enable the engineers to maintain the present rate of progress. This category includes all the expenditure for these buildings, of which not a farthing has been transferred to the heading of extraordinary. Further, in public works ordinary, including railways, every kind and sort of item has been included, save those for new irrigation works, for the Bombay special fund, and for State railways, which three items alone have been classed as extraordinary. £5,677,000

£1,554,800, inclusive of petty works, but exclusive of repairs.

The guaranteed interest on railway capital, less net traffic receipts, stands at $1\frac{1}{2}$ million, making up to about 15 millions the amounts which the Government of India from £1,527,700

BUDGET, 1869-70.

first to last has paid for the cardinal advantage of possessing railways in the country. Inasmuch as the outlay for the thousands of miles of line yet to be constructed will be going on to the amount of 3 or 4 millions annually, it is calculated that this item of 1½ million for guaranteed interest will not decrease for many years to come, but may increase to 1¾ million. It is manifest that much depends on the administration of the railways, the merits or demerits of which might easily make a difference of ¼ or ½ a million in the State budget of the year. The growing importance of railway finance will hence be apparent to the tax-payers of India. After deduction of the working expenses from the estimated traffic earnings of the coming year, it is calculated that the East Indian Railway will be paying 4½ per cent. on paid-up capital, the Great Indian Peninsular 3 per cent., the Madras Railway 3 per cent., and the other lines from 1 to 2 per cent. It seems clear that some of the lines will certainly pay the 5 per cent., and will relieve the State of its guarantee obligation on more than half of the capital as yet laid out. But the remainder will not pay for some time to come—involving perhaps one-third of the aggregate capital, on which the State will have to pay permanently a part of the guaranteed interest. It is well to remember this, inasmuch as within the next ten years another 30 millions on railways may probably be expended.

Such, then, is the ordinary expenditure for the coming year, which has not been allowed to overbalance the income. But in order to explain exactly how this equipoise has been obtained, I must ask the Council to revert to the item of assessed taxes, of which I just now promised a further notice.

It will be seen that £900,000 are set down as the anticipated produce of assessed taxes for the coming year.

The certificate tax of the current year is expected to yield £520,000. The same tax, had it been continued for the coming year, is supposed to be capable of yielding as much or more, say £550,000. But to this has been added £350,000, making up the total of £900,000 shown in the budget. Now, by what means is the extra £350,000 to be obtained? Why, by converting the certificate tax into an income tax. Without this resource our income would fall short of our expenditure by more than $\frac{1}{3}$rd of a million, and a deficit to that extent would have been exhibited in this budget. The Government of India, after considering the deficiencies which have occurred in three consecutive years, as I have already explained this day, and after causing the accounts to be made up according to the orders of the Secretary of State, has determined, so far as in it lies, to put an end to deficit. We cannot, at such a time as this, consent to appear before the public with a deficit in our budget. We have therefore preferred the alternative of asking this Council to vote us the power to cover by an income tax the deficit which must otherwise be presented. Such, then, is the proposal which I shall have, on behalf of the Government of India, to submit to the Council, together with a request for leave to introduce a bill for the purpose. The necessity of avoiding debt in time of peace for ordinary expenditure, and of plainly making both ends meet, is the ground on which we mainly base this proposal. The probable occurrence of this necessity was foreseen some months ago, and a reference was made by us to the Secretary of State, whose approval has been received to the course which we propose to adopt.

The principle of the existing certificate tax is in fact that of an income tax on particular classes, so that the substitution of an income tax proper will prac-

BUDGET, 1869-70.

tically not much alter the taxation of those who pay the certificate tax. The taxation will be virtually extended to those sections who are now exempt, and will apply equally and justly to all sections alike without distinction. Moreover, the principle of rough assessment, as observed in the certificate tax, should, we think, be maintained, with some modification of detail, in the schedule of the income tax. The mean incidence of the certificate tax was about 1 per cent. on profits; we propose to keep this rate for the income tax also. The limit of income down to which the certificate tax descended, Rs. 500 (£50) per annum, will be observed in the income tax. Servants of Government or of Companies, as well as those of firms and private individuals, were exempted under the certificate tax if their salaries were less than Rs. 1,000 for the year. For the former class the assessment will now be at one per cent. on all salaries of Rs. 41-10-8 per mensem, equal to Rs. 500 per annum, and upwards. The latter class will be assessed like their neighbours under the schedule. Pensions and annuities will be similarly assessed. We have introduced various minor improvements intended for the convenience of the tax-payers.

The advantage of keeping up the principle of rough assessment in the schedule is the avoidance of individual assessment, of any inquisitorial process which such assessment may involve, and of the demand for returns of income. The advantage of adhering to the 1 per cent. rate will be this, that those who pay the certificate tax will continue to pay much in the same way as heretofore, without any sensible change, and the avoidance of change is well known to be an important point in dealing with the Natives of India. The advantage of observing the 500 Rupees (£50) minimum

limit of income will be this, that the measure will be confined to the upper and middle classes, and will not affect the mass of the people. In that respect the new income tax will be preferred to the old, which went down so far as Rs. 200 (£20) of annual income. It is calculated that not more than 150,000 persons will be assessed to this income tax, out of 150 millions of population, so that the tax will hardly touch more than one in a thousand. In short, our hope is that by eschewing change in respect to those who now pay a direct tax; by refraining from demand for returns; by removing the measure from any contact with the poorer and more ignorant classes, we shall keep it comparatively free from much of the unpopularity which attached to the income tax of 1860, and thus, as it were, rob the measure of its sting.

Should it be thought that the arguments, if good for anything, are good for a 2 per cent., rather than a 1 per cent. rate, the answer is that 1 per cent. seems to be sufficient. It produces an equilibrium after a fair allowance for the defence and administration of the country, and for moral and material improvement, and after including enough for military buildings to ensure the present rate of progress. The Council will remember that all other taxes ever contemplated have been condemned; that the income tax is our chief fiscal reserve; that in war or other emergency we could hardly assess it at more than 5 per cent., so that now in time of peace we are to use up $\frac{1}{5}$th of our fiscal reserve. It is desirable not to trench more than is absolutely necessary on such a reserve. It is also desirable not to ask the country to bear even a fraction weight of burden more than can be proved to be indispensable.

If it be said that sufficient care is not given to retrenchment of expenditure, and that by a little more cutting and clipping a small deficit might be obviated

BUDGET, 1869 70.

without putting on an income tax, the answer will be that retrenchment has been already pushed to its reasonable extremity in order to cut the coat of our expenditure according to the cloth of our income. It is perhaps a curious fact that when the materials of this very budget were received from the eight local Governments, the twelve imperial departments, the 225 treasuries, and were collated in the Financial Department at Calcutta, the revenues came out less, while the ordinary expenditure proposed was more, showing a balance against the country. This adverse account has by scrutiny in the Financial Department, and by help of the later and more complete information available to us, been reduced to the equilibrium now presented to this Council. After all, the expenditure in India is taken at less by half a million than what it is for the current year. This may be accepted as some proof of economy in the budget. Further than this we cannot retrench at present. If we were to do so, the parties concerned would during the course of the year remonstrate, and we might be virtually forced to allow items which had been disallowed. We hope to maintain the retrenchments so carefully made; but it would be worse than futile to attempt any retrenchment which cannot be maintained.

1868 69, £41,390,550
1869 70, £40,903,740

If it be supposed that we might have devised other means of improving our resources and thus saved the necessity of an income tax, then I say that no supposition could be more unjust to the Government of India. For we have over and over again thought of every tax that has ever been suggested;—to almost all some insuperable economic objection was apparent—the income tax alone remaining comparatively free from objection, as hampering no particular trade and fettering no industry. We have even refrained from doing some things we wished to effect, such as the abandonment of some of the export duties which are shackles on our

domestic industry, the diminution of the rate of import duty on some metals of which the prices are depressed, the abolition of the inland sugar duties, the reduction of the salt duties in some provinces. We really have postponed the fulfilment of these our cherished desires, in order that the saddle of the income tax might sit lightly and easily on the country.

If it be urged that there is hardship in the imposition of an income tax, when the necessity might be avoided by transferring the cost of the new barracks to the extraordinary category, inasmuch as the work, though heavy now, will soon be finished off and disappear—this argument has been already answered to-day. It suffices to recapitulate that there is no sort of reason why barracks should be selected in such an arrangement more than any other item of our ordinary expenditure; that the work will not be done for years and years to come; that when it is over, other works just as costly will be turning up; that the European troops must be properly housed; that the housing of our soldiers is among the very first charges against our revenues; that the running into debt for such a purpose would be intolerable; that we *must* pay our way to this extent in time of peace, if we are to prove worthy of our status as a Government; and that any such arrangement would be contrary to the orders of the Secretary of State.

Again, if it be argued that the income tax, having been first imposed when the finances were in disorder, ought not to be reimposed now when the finances are flourishing, the reply would be that experience does not show that we can afford altogether to dispense with direct taxation. For, when after a period of deficit a

BUDGET, 1869-70.

short period of surplus enabled Sir Charles Trevelyan to allow the first income tax to expire, there followed but one year of surplus. Then sure enough deficit reappeared, and Mr. Massey was obliged to propose a license tax (1866-67). Thus, no sooner had the income tax expired, than its resuscitation in another form became necessary. The license tax having lasted for a year, Mr. Massey resisted all demand for its repeal, and continued it in an improved form as a certificate tax. That he was perfectly wise in so doing is proved this day, when I have to come before the Council with the longest story of deficit that has been narrated for some years. The moral of all this is, that the great convulsion of 1857, so fraught with trouble, yet so fruitful in reform, does to this hour make its effects felt, and that the country must brace itself to bear the small sacrifice of a light income tax in consequence.

Lastly, though this income tax is applicable to all alike above a certain limit of income, there are some important classes who immediately occur to our thoughts such as the fundholder in India, the landholder and houseowner, who will be required to aid in bearing a burden already borne for the last two years by several classes of their fellow subjects. The fundholder in India, conscious that the value of his property in the market so largely depends on the financial credit of the Government, will not demur to a contribution to a tax which in England has been always held to be applicable to income from the public securities. The landholders, especially the zemindars under permanent settlement, convinced from long experience of the inviolable faith kept with them by the State, cannot regard this measure with any distrust, but will submit

to the law, if it shall be enacted, with that loyalty which befits gentlemen of accumulating wealth and of liberal education, recollecting that the question of their liability was thoroughly settled long ago, and that in each cycle of years the progress of Bengal—with its staples profitably exported to England, its network of water communication, its patient and thriving peasantry—enhances their debt of gratitude towards the Government under whose sway their property has been so vastly benefited. BUDGET, 1869 70

The European community for the most part already pay the certificate tax. Their taxation will be changed but little if at all by the income tax. They have shown so much public spirit in respect to direct taxation whenever its necessity was demonstrated, and they are so well aware that financial solvency is one of the first conditions of our political safety in this country, that their support on this occasion is confidently anticipated.

And everybody, European or Native, will, we trust, appreciate the justice of taxing all classes alike without exception.

The question of allotting to the Local Governments a portion of the income tax proceeds for public works has been considered; but the concession cannot at present be made.

So much then for the ordinary income and expenditure.

Besides this, however, there is a proposed extraordinary expenditure of $3\frac{1}{2}$ millions, of which $2\frac{3}{4}$ millions are for the irrigation works, and the rest for the Bombay special works and the State railways. The amount may seem large: but it includes 1 million to be paid in England for the transfer to Government of the Irrigation Company's projects in Orissa and Behar: and $\frac{1}{4}$ £3,565,800) £2,705,000 £1,055,000 £257,000

BUDGET, 1869-70.

million of stores and plant for the Lahore and Peshawur railway. This full sum, if sanctioned by the Secretary of State, will have to be raised by loan. The expenditure in India of 1½ million on irrigation is to be mainly for the noble projects in Orissa, in Behar, in the Cis-Sutlej States, in the basins of the Jumna and the Ganges in Lower Bengal, in the British Deccan, and in other places. This will be the first year in which the principle of borrowing for reproductive works comes into something near full operation. It must be some time before any return is received for this outlay. And for fear of going too fast ahead, we should pause before exceeding the amount proposed for loan this year. The original cost of these works is already shown in our Budget Statements; the question as to how far it may be possible to show separately the gross income and the current expenses of these reproductive works, is undergoing careful consideration.

£1,650,000

Indeed we are launching out on a sea of improvement. The next ten years may see another 40 or 50 millions for reproductive improvements added to the existing 100 millions of our national obligations. Can any fact be more potent than this to prove that we must gird ourselves for the task before us, by establishing that equilibrium between income and *ordinary* expenditure which will be the surest basis of our public credit.

The total expenditure for the year, ordinary and extraordinary, is put at 52¾ millions, the highest figure ever yet reached. It has been sometimes observed that our present form of Budget Statement, (which is, however, authoritatively prescribed,) by showing the expenditure in England in the aggregate, does not exhibit in

£52,853,990.

one view the cost of some great departments whose expenses are incurred partly in England and partly in India. I append a supplementary statement showing the combined expenditure, English and Indian, of the several departments. In this point of view, the cost of the army stands at a little over 16 millions; that of marine at something under 1 million; and the interest on the public debt at 4¼ millions, of which the sum of £180,000 is on capital raised for reproductive works.

I have now to mention what loan arrangements will have to be made in order to meet all this expenditure. On the one hand we have to provide for 3½ millions for reproductive and extraordinary public works as above described; ½ million of public debt to be renewed in England and ½ million in India, or one million to be renewed in all; ½ million to be raised in India to recoup our cash balances for sums lent or to be lent to the Municipalities of Calcutta and other places. These items amount in all to 5 millions, or 3½ millions of new debt, 1 million renewal of former debt, and ½ million of debentures at short currency, which will not add to the permanent debt. These are all subject to the approval of the Secretary of State. On the other hand, 2 millions have already been set down by the Secretary of State to be raised in England. We propose to raise in India ½ a million on long term debentures in renewal of existing obligations; and to issue debentures for short terms not exceeding one twelve-month, of the nature of exchequer bills, up to ½ a million. By the latter issue we hope to provide for the temporary requirements of the cash balances without trenching on the resources of the Presidency Banks. There remain two millions to be raised, regarding which we shall immediately solicit the

BUDGET, 1869-70.

instructions of the Secretary of State. In these various ways the amount of 5 millions above stated will be provided for. If we shall have to advance any additional sums to Municipalities during the year, such amount will have to be raised by loan.

With these several arrangements (which are subject, of course, to the sanction of the Secretary of State) we shall probably close the coming year with a cash balance of 11½ or nearly 12 millions, much the same as that with which we are closing the current year. These amounts indicate that our cash balances are not even yet restored to their proper proportions. By the experiment of issuing short term debentures, as above mentioned, we hope to work with a somewhat less cash balance than heretofore. If as the year proceeds the accounts shall be unfavorable, some additional temporary resource will have to be provided.

£11,627,310.

WAYS AND MEANS.

The last statement to be noticed is that of the cash balances in India. This statement includes not only all the regular receipts, and disbursements in India besides the remittances to England, but also all the "debt," or, as it might better be called, the "deposit." This technical debt has nothing to do with the public or national debt, but it arises in this way. In some respects our Exchequer serves as a great bank of deposit. It receives and keeps the money belonging to the local funds, to the funds, pensionary and others, of the Services civil and military; to the Judicial department; and to a variety of depositors. It serves as general banker to the railways and receives all their traffic earnings. It also acts as a banker for much of its own remittances. In these several ways there is made up a vast aggregate of many millions of deposit receipts shown on one side of the account, balanced by a corresponding amount of

disbursements on the other. We shall commence the new year on the 1st April with a cash balance of close upon 12 millions; we hope also to end it with a sum of nearly 12 millions. On the receipt side of the statement there are upwards of 49 millions of revenue; 3 millions to be raised by loan; some 13 millions of deposit, of which latter the 3 millions of our local funds income forms a part. The above 3 millions of loan is exclusive of the 2 millions to be raised by the Secretary of State, which have been allowed for on the other side of the account. Then there are some 3½ millions of other receipts, railway earnings and the like. All these, together with the cash balance in hand, make up the grand total to 80 millions. This is balanced on the disbursement side by some 43 millions for service in India; by some 14 millions on account of debt and deposit, including some 3 millions expenditure from local funds; and some 11 millions of other payments, including those for the Secretary of State's bills; all which, together with the cash balances, make up a counter sum of 80 millions.

WAYS AND MEANS.

£11,917,473

£11,627,310

Thus, for the coming year 1869-70, the national balance sheet of British India, including all the transactions of its Exchequer, shows 80 millions on each side of the account, truly a high figure demonstrative of the calibre of our power in the East! And now, with the mention of this spirit-stirring fact, I shall conclude my exposition.

Such is the budget for 1869-70. The main points of the exposition are;

that the entire expenditure on the new barracks is included in ordinary expenditure and charged against revenue;

that on the two years under review, 1867-68 and 1868-69, there has been an actual deficit in 1867-68 of

WAYS AND MEANS.

1 million of income as compared with ordinary expenditure, following a deficit of 2½ millions on the total expenditure the previous year, 1866-67;

that for the year 1868-69 there is a deficit by regular estimate of 1 million;

that for the coming year, 1869-70, after including barrack expenditure, there is estimated an equilibrium between income and ordinary expenditure sufficiently assured by a small surplus;

that a one per cent. income tax is proposed in substitution for the existing certificate tax;

that 3½ millions are proposed to be expended in 1869-70 on extraordinary reproductive works to be provided for by loan;

that 3½ millions are proposed to be raised by loan;

that 1 million of public debt, half in England, half in India, falling due for re-payment in 1869-70, must be renewed;

that ½ million is to be raised by short term debentures to supplement the cash balances;

that the total of loan proposed for the service of the year 1869-70 amounts to 5 millions.

The Government of India has aimed at a financial policy to be at once safe, just, and sound. Safe, as strictly bringing to account of ordinary expenditure, all items properly so chargeable. Just, as tending to apportion more and more equally the fiscal burden between rich and poor. Sound, as guiding all proposals according either to known custom in India or to established principle in England.

The facts and figures of British Indian finance, hard and stern as they may be, do yet bear witness to an agriculture furnishing staples for the use of distant countries; a commerce multiplying itself in every cycle of years; a revenue branching out in various forms of

development; an ordinary expenditure held in control, and expanding mainly for useful or benificent purposes; an extraordinary expenditure designed to bring State capital to bear on the material improvement of the country; a public credit strong enough to constitute a resource for every reasonable need. By their general effect they recall the sentiment of the historian, they excite thankfulness in all thoughtful minds, and "hope in the breasts of all patriots."

# STATEMENT OF ESTIMATED CASH BALANCES IN THE INDIAN TREASURIES ON THE 31st MARCH 1870.

| RECEIPTS IN INDIA IN 1869-70. | Budget Estimate. | DISBURSEMENTS IN INDIA IN 1869-70. | Budget Estimate. |
|---|---|---|---|
| | £ | | £ |
| REVENUES ... ... ... ... | 49,340,840 | EXPENDITURE IN INDIA ... ... | 43,157,540 |
| DEBT— | | DEBT— | |
| To be raised on Loan ... ... | 3,000,000 | Payments on account of Debt ... | 13,712,792 |
| Receipts on account of Debt ... ... | 12,408,724 | LONDON— | |
| LONDON— | | Bills drawn by the Secretary of State for India ... ... ... ... | 8,400,000 |
| Recoveries in India of Payments in England, Funds, Family Remittances, &c. ... | 1,199,760 | Payments on account of Indian Railways | 3,255,100 |
| Madras Irrigation and Canal Company net Earnings ... ... ... | 7,600 | Ditto Madras Irrigation and Canal Company ... ... ... ... | 5,500 |
| Net Railway Earnings ... ... | 2,604,700 | Supplies to Her Majesty's Government ... | 128,300 |
| | | Miscellaneous ... ... ... | 192,555 |
| Estimated Cash Balances on 31st March 1869 | 11,917,473 | Estimated Cash Balances on 31st March 1870 | 11,627,310 |
| TOTAL ... | 80,479,097 | TOTAL ... | 80,479,097 |

FORT WILLIAM;
Financial Department,
*The 6th March* 1869.

EDWARD GAY,
*Offg. Dy. Comptr. Genl. of Accounts.*

E. F. HARRISON,
*Comptr. Genl. of Accounts.*

R. B. CHAPMAN,
*Offg. Secy. to Govt. of India.*

Only copy in the whole office

2ND APRIL 1870.

COUNCIL OF THE GOVERNOR GENERAL OF INDIA,

ASSEMBLED AT CALCUTTA,

FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS.

# FINANCIAL STATEMENT,

# 1870-71.

BY THE HON'BLE SIR RICHARD TEMPLE, K. C. S. I.

CALCUTTA:
OFFICE OF SUPERINTENDENT OF GOVERNMENT PRINTING.
1870.

ABSTRACT

OF THE

# FINANCIAL STATEMENT,

DELIVERED BY THE

HON'BLE SIR RICHARD TEMPLE, K.C.S.I., *before the Legislative Council of His Excellency the Viceroy and Governor General,*

APRIL 2ND, 1870.

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## ABSTRACT FOR PRESS, FOR TELEGRAPH, &c., &c.

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Budget exposition divided into three parts, first, the actuals for 1868-69; second, the regular estimate for 1869-70; third, the budget estimate for 1870-71. Railway receipts and charges shown gross in all three years.

For 1868-69, receipts £51,657,658; ordinary expenditure £54,431,688; deficit of income below ordinary expenditure £2,774,030, or $2\frac{3}{4}$ millions. For 1869-70, receipts £52,942,48[illegible], or 53 millions; ordinary expenditure £53,568,076, showing deficit of £625,594.

For 1870-71, receipts £52,327,755, or $52\frac{1}{3}$ millions; ordinary expenditure £52,164,315, or $52\frac{1}{6}$ millions; surplus £163,440.

In 1869-70 the average rate of the income tax has been $1\frac{1}{2}$ one and half per cent.; for 1870-71 it is to be $3\frac{1}{3}$th per cent. There is no other change in taxation. The salt duties remain as they were in 1869-70; the export duties on rice are retained intact. The opium revenue for 1870-71 is esti-

mated at £6,922,281 against £7,953,800 received in 1869-70.

The estimate of army expenditure for 1870-71 shows a reduction of £731,551 as compared with the expenditure for 1869-70. The expenditure on public works ordinary is much reduced. It stood at (6¼) six and a quarter millions in 1868-69; at a little over (5) five millions in 1869-70; it is not to exceed (4) four millions in 1870-71.

Besides the ordinary expenditure stated above, the extra-ordinary expenditure on reproductive public works, to be provided for by loan, has been as follows, for

1868-69, £1,370,613 or 1⅓ million.

1869-70. £2,616,743 or 2½ millions.

1870-71, £3,062,300 or 3 millions.

During 1869-70 the total amount raised, both in England and in India by additions to the debt, including £400,000 lent by the Maharajah of Putteala, has amounted to four and a quarter millions, of which 2½ have been spent on public works extraordinary, leaving a large balance of money in hand. For 1870-71, the Secretary of State has intimated intention of raising (2) two millions of loan in England. It is not intended to raise any new loan in India at present. The cash balances in the various treasuries of India on the 31st March 1870 estimated at more than thirteen and a half millions; they are expected to be 10½ millions on the 31st March 1871.

The average circulation of Paper Currency Notes in 1869-70 has amounted to (10½) ten and a half millions. It is proposed to invest a larger amount in Government securities.

# FINANCIAL STATEMENT

BY

THE HON'BLE SIR RICHARD TEMPLE, K. C. S. I.

2ND APRIL 1870.

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MY LORD,

PREFACE. I have now to present the Budget for British India for the official year 1870-71, this being the eleventh annual statement presented to the Legislative Council. During my absence from India for six months of the year 1869-70, the finances were administered by my hon'ble colleague Mr. John Strachey, and some of the measures which I shall hereafter have to mention were commenced or carried on by him. The ability and carefulness with which he conducted the administration are too well known to your Lordship and to the Council to require any further commendation from me.

On this, as on former occasions, my statement will be divided into three parts, namely, the actual account for the past year 1868-69; the regular estimate for the year just closed 1869-70: and the budget estimate for the current year 1870-71, now commencing.

Before adverting to the three divisions in the order above named, I must explain certain improvements now made for the first time in the mode of exhibiting the figures.

In the first place I am about to show the account of the working of the State railway, and the account of the Government with the several guaranteed railway

companies, in the same manner as all other parts of the public accounts, that is to say, the real receipts will be shown on the receipt side, and the full payments on the expenditure side. Hitherto, as the Council will remember, the plan followed has been a different one. For instead of showing the receipts on one side and the payments on the other, that is treating the account in the gross, we have shown nothing at all on the receipt side, and only the nett payment (after deduction of receipts) on the other side. This has been the meaning of the item which has hitherto appeared in our financial statements, under the designation of guaranteed railway interest, less nett traffic receipts. In my exposition of last year, I furnished a summary of the main facts from which that important item was derived, namely, the gross amount of interest payable by the State to the shareholders of the guaranteed companies, then the amount recovered by the State from the traffic receipts, and so on. Whether the Council was able to follow me through that explanation, I cannot say. But I felt at the time that it was hardly a satisfactory circumstance that so much had to be said to elucidate an item which ought not to need such elucidation at all, and which ought to be in its nature apparent from the face of the statement. Subsequently this consideration further forced itself upon me. The figures of all other departments are exhibited not in the nett but in the gross. No other heavy payment is shown in diminished proportions by reason of a set-off. If this were to be done generally, then the financial statements would lose half their clearness, and the publicity half its value; and the real nature of the income and expenditure would not be intelligible. Why then should an exception be made in the case of

the railway expenditure, which has been for years a large and growing item in the charge side of our financial accounts? There is no good reason whatever for this. On the contrary the public has a clear interest in seeing this part shown in the same way as all other parts of the account. For the payments by Government of interest now approach the sum of $4\frac{1}{2}$ millions sterling annually. How is the rapid accretion of this interest to be appreciated, if it is not shown in the annual statements? On the other hand, the set-off against this is the amount of nett traffic receipts, that is the gross traffic receipts, less working expenses. This also is happily growing fast, and now exceeds $2\frac{1}{2}$ millions sterling. But still it is, and will probably for some time remain, inadequate; in other words it is and will be less than the interest payments. But we hope that this may gradually approach nearer to the balance of the account; and it concerns every one to know how far this desirable approximation is or is not being attained. This depends on the development of railway traffic and the economy of working expenses. Indeed the working expenses now amount to nearly four millions sterling per annum, and constitute virtually a branch of public expenditure in which the public is as nearly concerned as in any other branch. These points are not only fraught with general interest, but also affect the ultimate financial result and the determination of surplus or deficit. I therefore propose to show the two great items each on its proper side of the account. This course too strictly accords with the terms of the contract between the State and the Companies. After providing for the regular payment by Government to the Companies of the five per cent. interest on the capital paid up, the contract goes on to say that "all monies

received by or on account of the Railway Company in India * * * shall be paid into the Treasury" of Government; that the "nett receipts after deducting all sums * * * for the current expenses of working the railway" * * * "shall be applied in the first place towards the discharge of the interest payable" by the Government.

In the second place, as the Council will recollect, the practice has been to exhibit the expenditure in India in detail under the main heads or branches, and then to show the expenditure on account of India in England in the lump or aggregate. Nevertheless the expenditure in England was for the most part not divisible under any new or separate heads, but really pertained to the several branches of the administration in India. Still it was not divided nor classified in our financial statements. Its amount is very considerable, being almost 12 millions, or more than 22 per cent. of our total expenditure. Though of course classified for official purposes, it has heretofore remained absolutely unclassified in our financial statements. One consequence has been this, that the expenditure shown separately in our regular financial statements has never represented the full and complete cost of many of our greatest departments, such as Army, Marine, Public Works, Interest, and others. That the arrangement is so far improvable seems to be beyond question. Last year I did present a supplementary statement calculated to meet the want. But this year I have prepared the statement with a combination of the figures derived from India and from England; so that they now display the full cost of each branch, whencesoever derived and wheresoever incurred. The formal and principal statement being thus comprehensively prepared, supplementary statements are added,

showing how much is spent for each head in India and how much in England.

In the third place the water rent paid by the landholders for the water obtained from the State canals, has been transferred from the heading of public works income to the heading of land revenue. The amount is important, being more than £500,000, or half a million. The public works income properly includes only sale proceeds of old stores and other items technically called recoveries, with which canal water rent has of course nothing to do; whereas this water rent is income derived by the State from its measures for improving the land by means of irrigation.

In the fourth place, the item of "allowances to village officers" has been combined with the expenditure relating to land revenue, and is no longer shown in a separate heading; and for it has been substituted a heading "Minor Departments" under which will be shown the charges of the trigonometrical, topographical, and geological surveys, and other Departments not readily assignable to any other existing head.

In the fifth place, from the heading of "Education, Science, and Art," we have eliminated, as just explained, the cost of the Survey Department. The surveys, though scientifically conducted, are executed in but a small degree for purposes of science and almost entirely for fiscal, engineering, and other practical purposes. On the other hand, it is of consequence to all those who are interested in the moral and intellectual progress of India that the true charge for education should be shown on the face of the statement. Heretofore the precise progress of this important item has not been perceptible from the statement; and never could be so, while other and foreign charges were mixed up with it. On this

PREFACE. occasion, then, the figures which I exhibit are those for education alone.

In the sixth place, the abstract which the Council will remember having seen on former occasions under the title of "statement of estimated cash balances," has been superseded by an improved cash statement, exhibiting an abstract of the entire financial transactions of British India, and showing in a clearer form how for each year the total disbursements of all kinds are actually met, or, in other words, how the ways and means of each year are provided.

So much then for the improvements in the form of the Statements, and I must ask the Council to remember that by reason of these improvements, the figures I now give will not be comparable in detail with those I gave last year, though the ultimate result will be duly comparable.

After this preface (the length of which will be excused from regard to the importance of the topics), I proceed to the actual account of the past year 1868-69.

ACTUALS, 1868-69. The receipts were £51,657,658, or more than 51½ millions sterling. The ordinary expenditure amounted to £54,431,688, or near 54½ millions, causing a deficit of £2,774,030, or 2¾ millions of receipts as compared with ordinary expenditure.

In my last financial exposition I explained that there would be a deficit in that year of income as compared with ordinary expenditure. The deficit was then estimated at £970,471, or 1 million. That estimate was necessarily incomplete, being based on eight months' actuals and four months' estimate; the last four months too constituting the most important and critical part of the year. Still the difference between the estimate and the result is very considerable; and I must, as briefly as possible, recapitulate the reasons.

ACTUALS, 1868-69.

These reasons have arisen in small part only from shortcomings of receipts on the whole. Exclusive of the railway earnings, the receipts in India indeed were £49,077,007, actual, against £49,288,700, of the regular estimate, the difference less being £218,458, or $\frac{1}{4}$th of a million. I attribute this to the fact of the yield of the Malwa or Bombay opium having been over-estimated by us. The amount indeed taken was fair enough as compared with the actuals of the two preceding years; but the last four months of the year proved abnormally unproductive, and these were the months which did not come within the regular estimate.

The difference, then, between the estimated and the actual deficit was caused mainly by excess of expenditure. In the first place an item of £505,922 is brought about by charging in the accounts the liabilities of the Government in respect to the late Military and Medical funds, which existed chiefly for the benefit of the widows of deceased officers. The arrangements made on the transfer of the fund provided that assets should be gradually year by year appropriated by the Government, which was on the other hand to pay all the pensions and allowances. The transfer occurred during 1867-68. It commenced in that year, and came into full operation during the year under consideration, 1868-69. At the outset these pensions disbursed in England by the Secretary of State were not charged in the English expenditure, but were held by the Secretary of State in a suspense account, that is in the account current between England and India, and were so held at the time when my last financial statement was made. But inasmuch as the Secretary of State has ruled that the pensions are to be included in the expenditure in England, and as they now constitute a real charge against the revenues, we have deemed it best to include them (subject to the

ACTUALS, 1868-69.

sanction of the Secretary of State) in the English expenditure once for all; and to finally adjust the account. The amount thus to be charged comes, as above stated, to £717,734, of which two-thirds relate to the year 1868-69, and the rest to the previous year 1867-68. Of this sum, £211,812 had already been provided for, being charged in the Madras accounts. The remainder, or £505,922, has now been added, and the whole charged in the English accounts.

Another cause was an excess of £492,004 on the expenditure on public works ordinary. This arose partly on works emergently undertaken in districts suffering from drought or famine. Owing to certain defects in the control of the Public Works Department, some portions of the grants for extraordinary works were made use of for the ordinary works, and the circumstance was not known to the Department when it rendered its estimate to me at the time of my last financial statement. The occurrence of this excess, and the fact of its not being known in time, undoubtedly indicated, as I have above stated, defects in financial control. Those defects have now been carefully searched out, and remedies are being applied, which will we hope prove effectual for prevention in future. Their efficacy will be tested by experience.

Then there was an excess of £186,346 in the Army expenditure, arising partly from the high prices of provisions in drought-stricken districts, and partly from field operations on the frontier. There was a nett excess expenditure again in the Civil departments, chiefly in Marine, Interest, and Miscellaneous, amounting in all to £350,541.

These several items, together with a few others with which I cannot detain the Council, account for the differ-

ence between the estimated deficit of one million and the actual deficit of $2\frac{3}{4}$ millions. ACTUALS, 1868-69.

Besides the ordinary expenditure above alluded to, there was during the year an extraordinary expenditure of £1,370,613, or $1\frac{1}{3}$ millions devoted in nearly equal proportions to irrigation, to Bombay special fund works, and to the purchase of the State Railway in South-Eastern Bengal.

Thus, the past year 1868-69 ends with a deficit of $2\frac{3}{4}$ millions; and this circumstance suggests the following observation. The Council will remember that in my last financial statement, I put the deficits of the three years 1866-67, 1867-68, and 1868-69, at $4\frac{1}{2}$ millions. This was on the supposition that the deficit of 1868-69 would be one million, whereas it is now seen to be $2\frac{3}{4}$ millions. Thus the $4\frac{1}{2}$ comes up to $6\frac{1}{4}$ millions. I then showed that there had been an expenditure of $3\frac{1}{2}$ millions on new barracks, which had been undertaken partly in the belief that they would not be treated as ordinary works, and would be excluded from the ordinary account. From that point of view the new barracks would have mainly accounted for the deficits. But now this can no longer be said. The deficits being $6\frac{1}{4}$ millions, of which only $3\frac{1}{2}$ can be accounted for by the barracks, and are susceptible of special justification, it must be admitted that the remainder, $2\frac{3}{4}$ millions, are due to excess of expenditure accepted as chargeable against current income, and represent deficit pure and simple without such special justification.

So much then, in brief for the actual account of the year that is passed, 1868-69. I now have to advert to the year just expired 1869-70, the figures for which REGULAR ESTIMATE, 1869-70.

REGULAR ESTIMATE, 1869-70.

are derived chiefly from actual accounts and partly from estimates.

For 1869-70, then, the receipts are taken at £52,942,482, or 53 millions, which amount exceeds by £699,542, or $\frac{3}{4}$ of a million, the sum of £52,242,940, or $52\frac{1}{4}$ millions estimated in my financial statement of March 1869. The Council will remember that these figures will not admit of simple comparison with that statement by reason of the inclusion of the nett railway traffic receipts and of the receipts in England.

This increase of receipts has arisen notwithstanding failure of the customs and the opium to yield the amount estimated in the budget. The customs revenue was taken at £2,773,500; it is now expected to yield only £2,416,500, showing a difference less of £357,000, or about $\frac{1}{3}$ of a million. The opium revenue was taken at £8,286,540; it is now expected to yield only £7,953,800, showing a difference less of £332,740, or $\frac{1}{3}$ of a million. This falling off of opium revenue has occurred entirely in Bengal, where the price per chest was estimated at Rs. 1,330 or £133, while only an average of Rs. 1,199 or £120 has been realized. In the Madras and Bombay Presidencies, the rate of duty on salt has been raised from Rs. 1-8-0 per maund to Rs. 1-13-0 for the latter half of the year. Had it not been for this additional duty, the deficiency in the salt revenue would have been considerable. On the whole, it may be said that the salt estimate has been just maintained and no more. There have been also other items of deficiencies, which, together with the above two main items, bring up the gross deficiency of regular estimate below budget estimate to £899,222, or nearly one million.

REGULAR ESTIMATE, 1869-70.

The Council will then ask how, despite of this deficiency, is a nett result of increase on the whole arrived at? Well, it is arrived at as follows. There is an increase of £461,778, or nearly half a million in land revenue. This is caused partly by the adjustment in account of the accumulated proceeds of the sale of waste lands, the Government promissory notes in which these funds were invested having been cancelled, and debt to that extent having been reduced. Also in the Punjab and notably in the Madras Presidency, the collections of the revenue have proved more favorable than was expected. There is an increase of £71,943 in tributes; this arises from the partial capitalization of the political contributions payable by His Highness the Maharaja Holkar. The increase of £151,600 under the head of assessed taxes is entirely produced by the additional one per cent. income tax imposed for the latter half of the year, without which there would have been a deficiency. The yield of the additional duty is estimated at £350,000. There is taken an increase of £448,472 under the head of miscellaneous; this arises chiefly from adjustment of accounts consequent on the arrangements regarding the Police superannuation fund and the transfer to Government of the Bombay Medical fund. The army receipts show an increase of £181,760. These main items, together with some lesser items, bring up the total increase to £1,598,764, or over 1½ million. And thus on the whole the receipts of the year are now taken at an increase over the budget.

On the other hand, the ordinary expenditure in 1869-70 was estimated in the budget at £52,190,290, or nearly 52½ millions; it is now expected to rise to £53,568,076, or upwards of 53½ millions, showing a difference more of £1,377,786, or 1⅓ million.

REGULAR ESTIMATE, 1869-70.

This excess has occurred notwithstanding that the expenditure on public works ordinary has been reduced to £5,040,395, instead of £5,834,160 provided in the budget, showing a reduction of £793,765, or $\frac{3}{4}$ of a million. There have been also various savings, such as £33,938 in the Post Office, £47,673 in the Electric Telegraph, £39,300 in Education, which, together with other items, bring up the total decrease of charges to £1,107,131, or over one million.

Here again the Council will ask, how comes it that, despite these reductions, the total charges and expenditure show an increase on the whole? The answer is that in several departments there have been increases over the budget estimate, some of which I must now explain.

In the two items of interest on public debt and on other accounts, there are increases of £73,516 and £124,925. This has arisen from the proportion of unclaimed dividends having been less than was expected: from the charging to our accounts of certain interest payments on account of the expedition to Abyssinia, which amount we had hoped to recover from Her Majesty's Government: and from the raising in India of a loan of two and a half millions for public works extraordinary. When the budget was framed, we believed it most probable that this public works loan would be raised in England, and during the latter half of the year, in which case instalments of interest would not fall within this year. Subsequently we received the Secretary of State's sanction to raise the amount in India, and we preferred to bring the loan out at an early period: consequently the payment of interest has fallen within this year.

The increase on forests of £35,084 leads to more than corresponding increase of revenue. The same re-

mark applies to the increase of £123,870 in the payments for opium. This arises from the yield of the opium crop being better than was anticipated when my budget was framed, and consequently greater quantities of the drug being brought to the store-houses. Under the contracts with the cultivators, the quantity brought by them must be paid for. Such payments in a fiscal point of view are not indeed to be regretted, as they conduce on the other hand to enhancement of revenue.

The Police charge was estimated at £2,374,290, and has now risen to £2,440,900, showing an increase of £66,610. This difference, which would have been larger but for counteracting economies, has been caused by the delay in carrying out the abolition of the Police superannuation fund. The delay has arisen (notwithstanding this Council having passed the requisite law) from the difficulty of arranging the details with the several local Governments. The excess charge caused by the delay is neutralized by the consequent increase in the assets credited under Miscellaneous.

There is an increase of £381,882 in Marine. This partly arises from our having charged off finally as expenditure the sum of advances on account of the Mutlah or Port Canning port fund, which it is prudent to treat as irrecoverable; and from our proposing, after protracted enquiry, to remit a portion of a long outstanding debt due by the Calcutta port fund to the Government. In this heading, too, is included a sum of £45,000 as a contribution by the Government of India towards the cost of the naval force which Her Majesty's Government is to maintain in the East Indian waters. This is a new charge, entered under instructions from the Secretary of State. It was hardly possible to provide for

REGULAR ESTIMATE, 1869-70.

these in the original estimate, as there was no information at that time as to whether these charges would accrue at all, or in what year they would fall.

The increase of £448,728 in miscellaneous is mainly due to difference between the actual and the estimate of the loss by exchange on Secretary of State's bills and to the charge for the freight of stores from England. The charges of the Political department have increased by £152,290. This increase arises from the payments and presents made to the Ameer of Cabul, which were inadvertently omitted from the estimate.

The increase of £303,972 in superannuation allowances arises from the adjusting of the accounts of the Military Fund already explained. When the budget was framed, the amount of these pensions (£396,292) was entered by the Secretary of State in his remittance account, and not (except the Madras portion (£120,000), which was entered in the estimates in India) included in the charges. But we have deemed it necessary (subject to the sanction of the Secretary of State) to take the remainder, £276,792, out of the English remittance account, and to charge the whole in the regular expenditure in England.

There is an increase of £422,831 in the army charges, of which £292,831 accrued in England for stores, furlough allowances, and pensions, and the rest in India, from the high prices of food and a variety of lesser causes which it would be tedious to detail.

These items, together with some others, for which I need not stop, bring up the total increase to £2,484,917, or 2½ millions.

I have now stated the causes of all the variations in estimate on both sides of the account. That the

amount of these variations should be so large is matter for regret. One main cause is traceable to the difficulty of adjusting the accounts under a necessarily complex system dealing with a great variety of interests. And if it be difficult to adjust these accounts with certainty, how much more difficult is it to estimate beforehand what form the adjustment will ultimately take, and what its precise result will be. This year special efforts have been made to clear off all old accounts and to have the books as unencumbered as possible for future years. The subject has my unceasing attention.

The items of expenditure as above specified are taken from the combined figures, Indian and English. It may be interesting however to the Council to note exactly what has been the increase on the English figures taken separately under the old heading of "nett expenditure in England including stores." The amount then for this total set down in the budget, as taken from the Secretary of State's estimate, stood at £10,996,950, it is now expected to stand at £11,868,869, showing an increase of £872,119. This has arisen partly as already explained from the Military Fund payments (£396,292) not having been included in the estimates of charge, partly from the cost of stores for the different departments in India, and partly from the increased allowances payable under the new rules to civil and military officers.

This particular part of the expenditure is, as the Council knows, under the control of the Secretary of State, and so far no remark is required from me. I should say however that as regards the "stores," the Secretary of State only acts on behalf of the Government of India, like an agent, if the expression may be allowed. The stores are ordered by the India Office in London on indents received from the Government of India; and the

REGULAR ESTIMATE, 1869-70.

Secretary of State's estimate is framed in reference to those indents. It sometimes happens that emergent indents are sent home from India within the year, and these must, *pro tanto*, disturb the estimate, and for that much of disturbance the Government of India is solely answerable. Such has been the case this year in reference to a portion of the stores. I must add that heretofore the financial control in India over the indents sent hence for stores from England has been defective, and measures are being adopted to render it more efficient in future.

Thus much on the details of the receipts and expenditure. In the budget it was estimated that there would be an equilibrium with a small surplus of £52,000. But the receipts being now expected to stand at £52,942,482, or nearly 53 millions, and the expenditure at £53,568,076, or more than 53½ millions, there is anticipated a deficit of £625,594, or more than ½ a million, of receipts below ordinary expenditure.

Besides the above ordinary expenditure, there has been an expenditure extraordinary of £2,616,743, or upwards of 2½ millions, on reproductive public works during the year, such as irrigation, State railways, and on Bombay special fund works.

Instead of an estimated equilibrium, then, the year has ended with a deficit of a considerable amount. In some respects, the adjustment of accounts has improved the figures on the receipt side; while in some respects it has made the figures worse on the expenditure side. If there are windfalls on the one side, there are unexpected drawbacks on the other. Also some share in the responsibility rests with the home authorities. But after allowing for all these considerations, I must fully acknowledge a deficit, for which we are clearly

responsible, and regarding which I desire to offer the following observations.

REGULAR ESTIMATE, 1869-70.

As already seen, we suffered a heavy disappointment in respect to our estimate of the opium revenue on the Bengal side. This arose from a fall in the market price, which fall again is believed to have been caused mainly by the extension of opium cultivation in China itself. We were indeed aware that such cultivation was being in some degree extended, but there was no information at that time to lead to the apprehension that this extension would spread so much as it now appears to be spreading. The further information since obtained of the extension, was not then available. For two years and more previous to the framing of the estimate, the prices had ranged at very high rates which indeed were well sustained up to the eve of the budget being produced. There was no known fact to warrant the rate being taken lower than what was then actually ruling. Still on general and prudential considerations, we took the price at an average of the realizations of the past three years, which brought out a rate less by Rs. 50 or £5 a chest less than what we were then receiving. This estimate has indeed partially failed by reason of events in the interior of a remote, half civilized, and comparatively unknown country like China, the nature of which circumstances is even now but vaguely ascertainable by us.

Then the Customs duties have fallen not only below the budget estimate, but also below the actual realizations of the two preceding years. There has been, as the Council knows, a depression of trade not only in India but in many other countries; and this has mainly caused the falling off in our Customs. But when the

REGULAR ESTIMATE, 1869-70.

budget was produced, there was not a single fact to indicate that such a depression was about to set in. Up to that date the Customs revenue had been increasing yearly for several years; that very year they both increased as was proved by the latest statistics and fiscal returns. The authoritative commercial reports up to date, though noticing fluctuations, and not in all respects sanguine, were yet on the whole favorable and hopeful. There had indeed been drought in some parts of India, but that had not up to date affected trade or Customs, and the prospects of the season had recently improved. There had also been some modifications in the valuations of the tariff in favor of the merchants, but this was allowed for in the estimate.

From the several financial statements made in this Chamber, the Council knows how constant has been the increase in the State income of India. However, not even that normal increase was estimated for. The revenue was estimated at just the sum which had been received in the preceding year, and no more. A slight increase only was taken on account of additional taxation. Does not this look *primâ facie* as if the estimate was moderate?

These causes (which were, as I contend, misfortunes hardly to be foreseen), together with lesser circumstances with which I need not now trouble the Council, threatened the Government of India with the prospect of a serious deficit. How has this prospect been met? Why, by increasing resources, that is by additional income tax, and additional salt duty on the one hand, and by reducing public works ordinary expenditure on the other. Moreover there have been

numerous savings and retrenchments carried out in all the provinces of India (for which the general finance is much indebted to the cordial exertions of the several local Governments), which it would be tedious to specify, but of which the total effect is estimated at £200,000. The condition of the year's finance has been bettered by the above measures to the extent of £530,000 on the receipt side and £993,765 on the expenditure side, the total improvement being represented by £1,523,765, or $1\frac{1}{2}$ million.

REGULAR ESTIMATE, 1669-70.

When introducing into this Council in November last the Bills for extra taxation, I stated that "every "effort would be made to destroy the remaining deficit, to "run it hard, to break its back so to speak." This promise related of course to receipts and expenditure in India. The figures show that it is in a fair way of being fulfilled.

These last figures, however, are not altogether actuals, but belong to the regular estimate. In India these regular estimates have sometimes been so far falsified by results as to have acquired an ominous significance. On previous occasions the practice has been to frame these regular estimates on eight months' actuals and four months' estimates. In some respects the actuals did not extend to eight months, but only to seven or even to six. This method left a large margin for uncertainty, for the four months of estimate were, as I have explained once to-day, about the four most important in the year, and the very ones when the financial transactions were the largest. The regular estimate which I now present, however, ought to be of a better kind, for it is based on eleven months'

REGULAR ESTIMATE, 1869-70.

actuals for nearly all the receipts and for all civil expenditure in India and ten months for army, marine, and public works; leaving only one month, or in some cases two months, for estimate, which estimate is based again on the actuals of the last months of former years. But even for the last month we have obtained actual data for some important branches on the receipt side especially.

Another cause of the uncertainty in the regular estimates has been the adjustment of many items in the twelfth month. And this cause may perhaps to some extent operate to throw out parts even of the regular estimate I now present. We have striven to ensure these adjustments being made more and more regularly month by month; so that the pressure may cease to be thrown on the close of the year.

Still after allowance shall have been made for all that can fairly be said in defence of our estimates and accounts,—the recurrence of deficits in time of peace, and the discrepancies between estimates and results which have so frequently happened, do compel us to search for and remedy whatever defects there may be in our system. Despite the many improvements that have been effected, the result proves that some defects must still remain. Two main defects I have above indicated—one of which was vital certainly. They have been, as we hope for the most part, remedied. We shall strive to make the remedy more and more complete after each year's experience.

Over and above these, however, there doubtless are lesser defects. Addressing this Council in November last, I said "we must examine more thoroughly than heretofore the monthly statements of actual receipts * * * we have

such an examination now; but we must have it more strictly in future; we must check our financial conclusions more immediately by actuals up to the latest day; we must base our estimates more strictly on the actual results up to date, and less on general conclusions." REGULAR ESTIMATE, 1869-70.

I need hardly add that we are acting and shall act more and more closely on these views.

Having thus dealt with the years 1868-69 and 1869-70, I arrive at the third and most important part of my exposition, namely, the budget estimate for 1870-71. BUDGET ESTIMATE, 1870-71.

The receipts are taken at £52,327,755, or 52⅓ millions, to be compared with the £52,942,482, or 53 millions estimate for the year just closing 1869-70.

The land revenue estimate is an aggregate of the estimates received from the local Governments, which have not been materially departed from in any case. There is a decrease of £513,646 as compared with the previous year, of which the return was swollen by the inclusion of the waste land receipts and the collection of some arrears. The effects of the drought of 1868-69 have been felt throughout 1869-70. The stocks of grain in some parts of the country are believed to have become exhausted. The rains of last season, though somewhat delayed, were ultimately abundant. In many provinces the harvests have been good. In some districts, however, there are still fears. On the whole, the advent of the ensuing rains must be looked for with some anxiety.

The decrease of £28,070 under tributes arises from the capitalization of the Holkar tributes in 1869-70 already alluded to.

BUDGET ESTIMATE, 1870-71.

The forest revenue shows a continued increase, more than balanced, however, by increased cost on the expenditure side.

Under excise we venture to expect a small increase of £39,300.

The item of assessed taxes I shall reserve for further mention hereafter.

For the Customs we have only taken £2,416,500, being the same amount as that which we have received in the year just expired, during which so much commercial depression has prevailed. That the present yield should not be greater than it is, must be regarded as an unfavorable indication respecting the condition of the people of India. In some places the inhabitants are impoverished by the late drought, or are still apprehensive about their crops; and are unwilling to buy European cloths or other things comparatively luxuries, until they are sure of their food; all which circumstances cause the up-country markets to continue slack. Still in most parts of India the people are advancing in prosperity as much as ever; and regard being had to this consideration, a revival of trade might be hoped for. Again, there have been fluctuations in the trade: January, a very important month, turned out badly; but February was better. March, the month just over, has been a little more favorable. On the other hand, the reports issued by the Calcutta Chamber of Commerce have been and still are unfavorable, and the opening of the Suez Canal has caused some forestalment of imports, and consequently of duty. I trust that things will not become worse than they are, and that we shall receive at least as much in the year 1870-71 as we have received

in 1869-70, but I know no fact which would justify me in raising the estimate. BUDGET ESTIMATE, 1870-71.

We have carefully considered the expediency of reducing or remitting the export duty on rice exported from India and from Burma. This branch of trade was for some months much depressed, but has of late shown signs of improvement. The depression, however, arose, as we believe, from other causes besides the duties. The prices of produce are rising rather than falling. The demands in China and Japan seem likely to become more brisk; indeed, scarcity is understood to prevail in some parts of Japan. Though fully sensible of the objections which can be urged against these duties, yet looking to the circumstances of the case and to the financial exigencies of the time, we have decided not to propose any change in the duties at present.

We propose to remit the export duty on shawls and on a few insignificant articles; and on the other hand to include some others in the tariff, and to levy the duty on galvanized iron *ad valorem*. These modifications are not expected to cause any loss of revenue. The shawl duties have operated as virtually transit dues on the shawls from Cashmere, and as regards the British Indian shawls, it is well that they should not be weighted in their competition with the shawls of other countries.

In my last statement I alluded to the progressive increase in the foreign trade of British India, and I stated that the sum total of value had risen from 95 millions in 1866-67 to 101 millions in 1867-68. Since then the ascertained trade of 1868-69 has amounted to 106 millions in value. But after some years of satis-

BUDGET ESTIMATE, 1870-71.

factory progression, the year 1869-70 is almost certain to prove one of retrogression. We now possess the complete returns for nine months of that year, and they show a decrease of 8 per cent. in value and 5 per cent. in quantity as compared with the corresponding period of the preceding year. That the comparison as regards value should be less favourable than that as regards quantity is accounted for by the fact that there has been a reduction of the valuations by tariff. Still there is a falling off of 5 per cent. on the whole; and this is specially perceptible in some important staples of import, such as piece goods and metals, and of exports, such as cotton, rice and indigo. One important item of export, namely jute (fibres) has kept its place as well as ever. The cotton export of 1868-69 amounted to 700,000,000 lbs., or $1\frac{3}{4}$ millions of bales; but the quantity for 1869-70 will prove considerably less. In 1868-69 there were $11\frac{1}{2}$ millions of lbs. of tea exported; the quantity for 1869-70 seems likely to prove as great. In 1868-69 there were 48 millions of lbs. of coffee exported; the quantity for 1869-70 will certainly prove less. The causes of the depression of trade must doubtless be sought for in other countries besides India. But they have been aggravated by the drought and distress which have prevailed in some parts of India itself.

The salt revenue has been taken at £6,177,370, an amount considerably over that of the previous year, chiefly because the increased duty in Madras and Bombay (5 annas per maund) is to operate for the whole of 1870-71, whereas it operated for only half of 1869-70.

For the opium revenue we have taken £6,922,281, of which £4,905,281 pertain to Bengal and £2,017,000

Budget Estimate, 1870-71.

to Bombay. The Bengal estimate has been taken at Rs. 975 or £97-10 per chest on 49,000 chests. For the first three quarters of the year, the provision is, with the exception of a small deficiency of 1,104 chests, actually in store. For the last quarter, from the information given by the Local Government, we trust that the number of chests is tolerably certain. To provide it we ought to sell 52,000 chests in 1871, a supply which we hope to be in a position to bring forward, but which is certainly not likely to be much exceeded. The real doubt is as to the price per chest, the calculation of which solely depends on forecast. The price, as the Council know, averaged Rs. 1,379, or £137-18 per chest in 1868-69. In 1869-70 it has averaged Rs. 1,199 or £119-18. It has fallen with an unfortunate regularity from Rs. 1,324 or £132-8, at the beginning of the year, to Rs. 1,093 or £109-6 at the close. So far as we can judge from China advices and from local prices, the tendency is downwards. The Government of India possesses now a mass of information, which, though not always clear, does in the main show that the cultivation of the drug is increasing, and is likely to increase further in China itself. So far as opinion goes, nearly all authorities believe that the opium trade of India with China will be subjected to a degree of competition not heretofore experienced. Taking all these things together, I anticipate the possibility of a further fall in prices, and have considered the rates to which prices have fallen within recent experience. They have gone as low as Rs. 900 and 850 a chest. Though hoping that they will not again fall so low, yet I consider that no estimate of a higher average than Rs. 975 or £97-10 a chest would be safe; and a reasonally safe estimate we must have. So also with the Malwa opium, having regard to the

BUDGET ESTIMATE, 1870-71.

manifold fluctuations of the Bombay market from year to year, even from month to month; and to the probability of its sympathizing with any fall on the Bengal side, I do not consider that any estimate much over 2 millions would be safe. We are indeed receiving $2\frac{1}{3}$ millions (£2,357,000) for the year just closed, which quite fulfils the estimate. But then we only received £1,800,000 in the preceding year, when circumstances were more favorable than this. The estimate of the current year, though realized at last, has been a constant source of anxiety. The present crop is reported to have been seriously injured by unfavorable weather. Judging by all known circumstances, I should fear that a falling off may shortly be looked for. So recently as November last, we were confidently assured by the authorities at Indore that we should not realize even two millions in the year just closed.

On the whole, it will be seen that our opium estimate stands at £6,922,281, or $6\frac{3}{4}$ millions, being less by £1,031,159, or one million, than the receipts of the previous year; while our expenditure is expected to rise by £164,910, making a total deterioration under this head of £1,196,069.

It will be observed that a decrease of £1,604,600, or $1\frac{1}{2}$ millions under stamps, is balanced by an increase of £ 1,692,700 under law and justice. This represents the transfer of the receipts of judicial stamps (now levied under the new Court Fees Act) from the one head to the other.

The large decrease of £677,298, or $\frac{2}{3}$ million under the head of miscellaneous, arises from the fact of there having been extraordinary receipts, commonly known as "wind-falls," in 1869-70 which are not expected to recur.

The railway receipts nett are taken at £3,125,258 at an increase of £211,084 over the year just passed, that is £6,795,058 gross earnings less £3,669,800

working expenses, the traffic being represented by seven millions of tons and fifteen millions passenger journeys; and all this on 4,840 miles of open line. These are high figures: if realized, they will indicate a satisfactory progress of railway traffic; they are rendered by the Public Works Department. Seeing that some 600 miles of new line are to be opened in the year, increase of traffic may be looked for; but then there will be increase of working expenses. On the whole, this item must be regarded as necessarily uncertain, as being dependent on traffic the growth of which we cannot exactly foresee.

I now turn to the expenditure side, and shall notice together firstly the items of the increase and secondly the items of decrease.

There is an increase of £270,032 in interest. This increase is due to our having to pay a full year's interest on the loans of 1869-70, on which only half a year's interest fell to be paid in that year; to a large amount of interest properly pertaining to 1869-70 being thrown forward to 1870-71, owing to the late arrival of the last English mail, and to a new loan to be raised this year, the particulars of which I shall explain presently.

There is an increase of £117,606 for forests, which is almost met by the corresponding increase of revenue. Also there is, as already stated, an increase of £164,910 in opium, owing to extension of cultivation, and of £27,944 in excise for the purchase of opium for home consumption: these items also tend directly to increase of revenue. Similar remarks apply to the increase of £103,299 in salt, attributable chiefly to the arrangements for the manufacture of alimentary salt at the Sambhur lake in Rajpootana and in various parts of the North-West Provinces and of Oude, all which measures are connected with fiscal improvement.

BUDGET ESTIMATE. 1870-71.

The increase of £178,698 in law and justice is due chiefly to the transfer of discount from stamps, the revenue from which is now to be credited as law and justice receipts, and to the charges for the service of processes, which with the corresponding receipts are now entered in the imperial accounts.

The increase of £66,498 in education will not be regretted.

The increase, £126,681, in superannuation allowances is due to the reductions in the police (which involve gratuity payments) and to the anticipated operation of the rule for the compulsory retirement of public servants at the age of 55 years.

There are small increases under several civil departments, such as land revenue, ecclesiastical, medical services. These are inevitable, as they are brought about by the progressive scale of salaries so frequently allowed of late. In recent years it has been thought more economical to sanction gradual progress towards a maximum than to allow the maximum at once. Of course, this practice, however good in itself, does at first cause the expenditure to rise slightly from one year to another. The increase in law and justice arises partly from a transfer of charge from the head of stamps, which department shows a corresponding decrease.

An increase will be observed of £56,181 for the Electric Telegraph department, not counterbalanced by any increase of receipts from this source. This arises chiefly from stores not having been sent out from England during the current year, so that an extra supply must be paid for in 1870-71.

The increase of £275,268 in railway charges relates chiefly to interest, and is due to more capital being raised in England for the prosecution of the works.

The increases of all kinds amount to £1,496,219 or 1½ million, apparently a large sum. But the above

analysis shows that £678,964, the aggregate of the increase under forests, excise, assessed taxes, salt, opium, and railways, is absolutely necessary to be laid out in order to bring in a more than corresponding return of revenue. Again, £452,894, the aggregate of the increase, under interest, telegraph, and superannuation allowances, is inevitable, and under existing rules is not preventible by any action we could take. Thus the sum of £1,131,858, or nearly three-fourths of the total increase, is demonstrably indispensable. To this category the increase for education forms, of course, a special exception.

On the other hand, among the decreases of expenditure, there is the item of £129,633 under interest on service and other accounts; this arises from cessation of payments on the Police Superannuation and Medical funds and to the Presidency Banks for temporary advances.

There is a decrease of £120,936 in the Police department, of which, however, a part is owing to the reduction of pay from gross to nett upon the abolition of the Superannuation fund, the rest being due to reduction of establishments. The decrease of £481,009 in the Marine department is mainly owing to the large adjustment in 1869-70 of irrecoverable advances. Here also is included a sum of £70,000 as the contribution of the Government of India towards the maintenance of naval squadron to be kept up by the Admiralty in the Indian seas as already explained.

In the army charges, there is an important reduction of £731,551, or $\frac{3}{4}$ million: the total being lowered from £16,476,892 to £15,745,341; this is partly nominal, the expenditure in England in 1869-70 having been, in some respects, abnormal. But about two-thirds are real, brought about chiefly by the reductions in the general staff in India, and in the European cavalry and infantry, as sanctioned by Her Majesty's Government after some

BUDGET ESTIMATE, 1870-71.

correspondence with the Government of India. We have been only able to take a very small decrease on account of the reductions in the artillery and the native army, regarding which the recommendations of the Government of India are under the consideration of Her Majesty's Government in England. After setting off the diminished recoveries which we expect, the net estimated saving in the army is £554,016, or ½ a million, the net expenditure for the army being estimated at £15,009,116, or just 15 millions, a lower sum than has been paid in any year since 1863-64.

The grant for public works ordinary exhibits a reduction of £1,041,995, or more than a million; the amount for 1870-71 being £3,998,400 against £5,040,395 in 1869-70 and £5,834,160 in 1868-69. Thus in the course of a year, we have lowered our grant by £1,835,760 or more than 1¾ millions, or 31½ per cent. on a total of about six millions. The necessity for such reduction, which must of course retard the completion of many useful works, is much to be regretted. But financial exigency is imperative.

I should add that out of the above grant of four millions, £658,955 or more than ½ million represents the expenditure on the new barracks for the European troops.

The total of these decreases amounts to £2,883,669, or nearly 3 millions. This for the most represents real reductions of establishment or of works; and by it may be measured, to some extent, the efforts made by the Government of India to meet the financial exigency of the time.

The Council—remembering that retrenchments made on paper have sometimes failed to be carried out, and that reductions in estimate are sometimes found to be not realized in actual accounts—may ask me how I can

affirm that the above large amount of reduction will really be effected? To this I should answer that the largest part of the reduction, that relating to public works, is so far certain in that the disbursements depend solely upon the grants. No more than what has been granted will be disbursed, and the orders in detail regarding the grants have been sent already to the several Local Governments. So with the army reductions; those which I have allowed for have actually been sanctioned by the Secretary of State, and the orders have gone to the proper authorities: some have even been carried out,—for instance two cavalry regiments have actually embarked for England. Some further reductions are almost certain, but we have ventured to allow for them only the sum of £70,000. So with the interest reduction, the charges in question have actually ceased. Again, as regards the police reduction, a part of it is quite certain, nothing more being needed than orders to the audit department; and to the rest of that reduction the Local Governments have actually signified their agreement.

Budget Estimate, 1870 71.

The increases being balanced against decreases, the result is an expenditure of £52,164,315, or 52½ millions, against £53,568,076, or more than 53½ millions of the preceding year, with a net reduction of £1,403,761, or nearly 1½ million of expenditure.

In framing the estimate I have not forgotten that there are certain pecuniary claims on the part of His Highness the Nawab Nazim of Bengal, still pending. I cannot at all foresee whether they will be found sustainable. We have decided that we are not justified in making any budget provision in this year on this account.

BUDGET ESTIMATE, 1870-71.

After this analysis of the receipts and expenditure of the current year now commencing, I must ask the Council to revert to the heading of assessed taxes which I reserved for separate consideration. We have taken for this the sum of £2,180,000 or nearly 2⅕ millions sterling. The additional rate of one per cent. levied by Act XXIII of 1869, in order to bring the one per cent. rate up to 2 per cent., expired on the 31st of March. As the law stands then at this moment, the one per cent. is all that is leviable. According to the experience of the year just over, 1869-70, the yield of one per cent. would amount to £700,000. Now, if we were to take that amount only instead of the £2,180,000 now taken, there would be a difference less of receipts to the extent of £1,480,000, or 1½ million, and this difference would cause a deficit on income below ordinary expenditure of £1,316,560, or 1⅓ million. As the Council so well knows, we could not at this time appear before the public with a deficit in our budget. At least we could not adopt such an alternative, while any legitimate or reasonable resource remained to us.

My exposition of the estimate of the receipts will have proved to the Council that the revenues generally are flourishing, though not quite so prosperous as they sometimes are. But in one important item, opium, there is a serious falling off, mainly owing to events and circumstances in China.

I have shown to-day what large reductions of expenditure have been effected, always with hard effort, and sometimes with much sacrifice. Then I have shown how inevitable are most of the increases of expenditure. Still, after reckoning the sum of these as a set-off, the net result is a decrease on the whole of nearly 1½ million (£1,403,761) of expenditure. I by no means intend

to imply that reduction has reached its final limits; we shall continue to strive for further reduction more and more. But it is impossible to say at what time or on what date additional reductions may take effect. Indeed the incessant demands made on the treasury for countless objects of reform and improvement are too well known to the Council to require recapitulation here. Meanwhile we must take the receipts and expenditure as they are expected to stand. And with a deficit of $1\frac{1}{3}$ million distinctly apparent, some recourse to additional taxation, some resort to means of enhancing income, becomes altogether unavoidable. Considering the actual deficits which have occurred in past years, and the circumstance that the year just over is expected to close with a substantial deficit, instead of the equilibrium that was expected, and this too despite all the exertions that have been put forth, we regard it as essential to the due administration of the finances and to the maintaining of the financial credit of the country, that yet further exertions should be made. Moreover this is, if possible, even more needful than ever, since, as shown in my last financial statement, the public credit is to be pledged for the construction of extraordinary public works of a character remunerative to the State and beneficial to the people.

We are, therefore, compelled to propose, however reluctantly, to raise the income tax to 6 pies in the rupee or $3\frac{1}{8}$ per cent., and to apply to this Council to vote us the power of thus covering, by additional taxation, the deficit which must otherwise be presented.

As explained in my last financial statement, there are great difficulties in immediately adding to our resources by any other means than direct taxation. If then the revenues are to be immediately enhanced, this can only be effected by the help of the income tax.

BUDGET ESTIMATE, 1870-71.

Such then is the proposal which I have, on behalf of the Government of India, to make to this Council, together with a request for leave to introduce a Bill for the imposition of an income tax, at the rate of six pies in the rupee.

I need not repeat the arguments used in my last financial statement regarding the imposition of an income tax in India. It is with regret and reluctance that we bend to the necessity of raising the rate from 1 to $3\frac{1}{8}$ per cent. within so brief a period. But the recurrence of deficit at this time cannot otherwise be prevented.

I have stated the rate at $3\frac{1}{8}$ per cent. In England, as the Council knows, there is no percentage rate adopted for this purpose; the duty being levied at so many pence in the pound sterling. We have determined to adopt, as in England, a poundage in place of a percentage rate. Following that principle, I have to propose that the duty be for the future taken at so many pies in the rupee: two pies would be assumed as the approximate equivalent of one per cent., four pies of two per cent., and so on. I should add that this mode of rating the duty will be somewhat (though very slightly) in favor of the revenue.

But if the rate is to be thus raised, then the principle of rough assessment by classes in the schedule which regulates the existing tax, can no longer be adhered to. A system which may have worked sufficiently well while the rate of duty was low (that is, one per cent.) will no longer work satisfactorily when the rate becomes higher. When people come to be assessed to 6 pies in the rupee income tax, they will assuredly demand a more precise mode of assessment than that which now prevails. The tax-payer will require that the assessment be made upon some fair estimate of his

particular income, and will not be content to be assessed upon an average derived from the maximum and minimum incomes of a class. Now, if anything like an assessment on estimated income of each individual tax-payer is to be attempted, returns of income must be called for from the tax-payers. Or even if with the lower classes of income the Collector may be able to dispense with the returns, he must clearly have the power of calling for such returns in all cases of more considerable income, and with the higher classes of income he should be obliged to call for such returns. The new Bill, then, which I have to lay on the table provides for the assimilation of the procedure to the more regular methods of assessing income tax: care having been taken to render it as simple and easy as possible, consistently with the important object in view. If the Council shall grant me leave to introduce the Bill, I shall have further opportunity of explaining its provisions.

Having thus explained the principle of the tax, I must advert to the method by which the estimate of its probable yield has been framed. As the Council will have observed, the amount is taken at £2,180,000, of which £2,100,000 is assumed at the known rate of £700,000 for each one per cent., and £80,000 for the gain by the substitution of 6 pies in the rupee for three per cent. I say known rate, inasmuch as the regular estimate of the one and a half per cent. income tax of 1869-70, based on data of eleven months' actuals, gives £1,051,600, which again gives £700,000 for one per cent. This seems a sure foundation to proceed upon, especially as it is known that in 1869-70 the tax was exposed to disadvantages which will not recur. Some portions of the tax collected in the first month had to be credited

BUDGET ESTIMATE, 1870-71.

to the preceding year; the extra one per cent. imposed in the middle of the year, could not be fully realized at first; some arrears are indeed known to be outstanding. This consideration justifies our expecting more than £700,000 for one per cent. and our assuming £700,000 for each one per cent.; though otherwise it might be apprehended that each ascending step in the percentage would yield somewhat less and less. The estimates of the local Governments embodying what they intend to demand and collect, framed for a 1½ per cent. tax, amount in the aggregate to £1,103,740, which at three per cent. would yield £2,287,480, which is more than what we have ventured to take. Then we have compared the yield of the first income tax of 1860. The only year in which that tax was fully collected was 1861-62, when it produced £2,054,696, or just over two millions at four per cent. on incomes down to Rs. 500 (£50) and at two per cent. on incomes between Rs. 500 and Rs. 200 (£20). What portion of this belonged to the division between Rs. 500 and 200, I cannot state; but it must have been small. On the whole it may be said that we now expect to get from a three per cent. tax rather more than what we got from a four per cent. tax ten years ago, showing an expected improvement of 25 per cent. and more. This seems a reasonable expectation, when it is considered not only that the income of the country has greatly increased within the ten years, but also that our administration of these kinds of taxes has improved. As a proof of the improved administration, I may observe that in 1864-65 there was a three per cent. income tax like the one now proposed. It yielded £1,300,000, which gave £433,000 for each one per cent. But then the assessments made at the outset had been continued without alteration from year

to year, and the administration was less strict than it now is; though it is still far from being as strict as it might be. But we have seen that in 1869-70 one per cent. yields £700,000 for one per cent., showing an improvement of 61·7 per cent. over 1864-65.

BUDGET ESTIMATE, 1870-71.

As to the duration of the new income tax, I can make no promise whatever. It is our earnest hope that the tax may not last beyond the current year 1870-71, at its present rate. But the realization of any such hope must be entirely dependent on circumstances.

Such then is the budget for 1870-71, the estimate of receipts amounting to £52,327,755 or 52$\frac{1}{3}$ millions, and of ordinary expenditure to £52,164,315 or 52$\frac{1}{5}$ millions, leaving a small surplus of £163,440, a balance which hardly amounts to more than an equilibrium. We bear in mind that the above estimated surplus is very small; smaller than we should wish it to be; smaller indeed than it ought to be. But then what difficulties, what sacrifices we have had to undergo, in order to make it even the little that it is! The Secretary of State has enjoined us to provide a substantial surplus if we possibly can. His Grace commenting on my last financial statement, wrote thus:—"In previous financial despatches to the Government of India, it has been stated that your estimates should be so framed as to show a probable surplus of from half a million to a million sterling; in that opinion I concur* * * I have already called your attention to army charges* * * and I shall hope to find that you have been able to effect reduction of expenditure also in some other branches of administration. Unless this can be done, it is clear that it will be necessary to devise some means of increasing the annual income, or otherwise a failure in the full estimated receipt from opium, the loss of any portion of revenue

BUDGET ESTIMATE, 1870-71.

from unfavorable seasons, or any extraordinary military charges, would certainly convert the estimated surplus into a large deficit."

My exposition to-day will have shown how hard we have striven to act up to these instructions. We have reduced the army charges and other expenditure. We have devised means of increasing the annual income. But we have not yet been able to provide a surplus of half a million in the estimate. To effect this, we must have proposed a greater reduction of expenditure than what we can surely reckon on effecting within the year; or else we must have proposed additional taxation even beyond the proposals I am announcing to-day; and the difficulty of doing this is manifest. But though we are unable to provide the surplus to-day, the necessity of such provision within the earliest practicable time is constantly present to our consideration. Until this is fully effectually provided, I shall not be able to affirm that our finance is in a satisfactory condition. As yet I can only express my hope that it will be found to be improving.

Besides the ordinary expenditure, we are prepared for an expenditure of £3,062,300, or over 3 millions, on public works extraordinary, to be provided for by loan, of which £1,732,500 or $1\frac{3}{4}$ millions are for irrigation works, and £1,229,800 or $1\frac{1}{4}$ millions for State railways. The irrigation works relate to projects in Bengal, in Madras, in Bombay, in the North-West Provinces, in the Punjab, in Oude, and in the Central Provinces.

The principle of constructing some portion of the railways in India by direct State agency instead of through companies, has been further affirmed during the year by the Secretary of State. The lines on which the above expenditure is to be incurred, are the Lahore

and Peshawur Railway, the railway between Delhi and Jyepore passing through the salt-producing districts of Rajpootana. Within the year it has been decided that the Bombay special funds works shall no longer be classed as extraordinary, but shall be included in the category of ordinary works: they are, therefore, not included in the above description. I may here note that the purchase of the property of the Elphinstone Land Company will not form any charge to the State.

I may here add that negotiations are in progress with the Maharaja Holkar, whereby His Highness will provide funds at 4½ per cent. interest for the construction of a railway from Malwa to join the trunk line of the Great Indian Peninsula Railway.

A desire has been often expressed that an audited account should be promulgated annually of the sums raised for, and spent on, public works extraordinary. Such an account is now being prepared, and is to be kept up from year to year. We have decided to commence the account from 1869-70, being the year when the classes of works to be reckoned as extraordinary were for the first time defined, and when the raising and the expending of money for those purposes were regulated on that principle.

I have now to advert to the loan arrangements of the year 1870-71.

It will be recollected that in my last financial statement I announced a series of loans aggregating five millions, of which one million consisted of renewal of old debt, 3½ millions of loans for public works extraordinary, and ½ a million to recoup the cash balances for advances made to municipalities. The renewal of one million has been effected within the just expired year. Of the 3½ millions for public works extraordinary, 2 were to be raised in India and 1½ in England.

BUDGET ESTIMATE, 1870-71.

The ½ million has been raised in England, instead of being raised, as was first intended, in India.

In my last financial statement, however, I mentioned that the cash balances are not even yet restored to their due proportions, and I added that "if, as the year proceeds, the accounts shall be unfavorable, some additional temporary resource will have to be provided." Within the year, the Government of India has accepted an offer of the Maharaja of Puttiala to invest £400,000 in our public securities. This having now been treated as permanent debt, we have decided to consider it as having been raised for public works extraordinary.

This sum, added to the sums raised on account of the three millions and a half loan which were slightly in excess of that amount, brings up the total to upwards of four millions.

Out of the four millions raised as above for public works extraordinary, and held at the credit of this branch of the public works department, £2,616,743, or more than $2\frac{1}{2}$ millions, are being spent in the year, leaving £1,383,257, or nearly $1\frac{1}{2}$ million, balance in hand due by the loan department to the public works, and to be carried on to credit in the State account of the works.

So much for the year 1869-70; then for the year 1870-71, the proposed arrangement is as follows.

As I have already explained to-day, the proposed expenditure during the year on public works extraordinary amounts to £3,062,300, or just three millions to be provided for by loan.

The Secretary of State has intimated his intention of raising two millions in England, leaving us to borrow in India such sums as may be found necessary to carry on the works on the scale intended. But, considering that we have, as shown above, a balance in hand of loan money to the sum of $1\frac{1}{3}$ millions from 1869-70, we are

unwilling to borrow if we can help it. And in the present state of our cash balances, there is no apparent necessity for bringing out any loan in India at all. It is not then our intention to raise any funds by loan until the autumn at least. By that time, the prospects of the year will be more clear, and our position in respect to ways and means can be reviewed, and a further decision as to the necessity or otherwise of raising any loan can be arrived at. But it is our hope (as at present informed) to conduct the finance of the year without further loan.

BUDGET ESTIMATE, 1870-71.

I should here add that in December last, we decided that the holders of the 5 per cent. public works loan of 1855, amounting to two millions, which fell due for repayment on the 31st March, should have the option of either receiving payment in cash, or of accepting fresh stock of the four and a half per cent. loan. The returns are not quite made up, but about $\frac{7}{8}$ of the stock has been or is being tendered for conversion; so that it may be said that our terms have been generally accepted. This indeed is only what might have been anticipated, inasmuch as for some time past the $4\frac{1}{2}$ per cent. stock has been quoted at or above 2 per cent. premium.

Such being the provision made for the ways and means of the year, I have to explain the returns of the cash balances. In my statement of last year I explained what a variety of large items, over and above the revenues and expenditure proper of the Government, contributes to make up this great account. It has been found, however, that the old form of statement was in some respects obscure, and an improved form has been devised, as the Council will see, according to which the figures are exhibited for the years 1868-69, 1869-70 and 1870-71. As the returns received from England often affect those obtained in India, both categories have been combined

BUDGET ESTIMATE, 1870-71.

in this statement. I shall just glance at the main features of the statement for 1870-71, so as to make the technical designations intelligible. The headings of ordinary income, of ordinary and of extraordinary expenditure, are taken from the budget of the year as to-day presented. The heading of deposits and advances comprises the finances of the local funds, the funds of the civil services, the judicial deposit branch, the advances for local works and for a variety of purposes. The heads of local remittances and inter-provincial and inter-departmental transactions represent the unadjusted expenditure of India, and are interesting items. The remittance account between England and India comprises a large amount of civil service pensions, and a variety of petty advances in the military branch. There are also a good many unadjusted items under this head. The bills of exchange represent the amount remitted from India annually to meet the expenditure in England. The railway capital heading means the amount raised in England for the construction of railways in India. Here it may be observed that year by year we are spending more in India than we raise in England; this arises from the fact that in previous years we spent less in India than we received in England, and that we have now to make up the difference. The last item, namely, "borrowed," must be taken together with the item of "debt paid." This year we are to borrow $5\frac{3}{4}$ millions (£5,808,770) but then we are to pay off old debt of $2\frac{1}{4}$ millions (£2,220,470), which leaves £1,830,000 for the Elphinstone property at Bombay and £1,758,300 or nearly 2 millions new loan in England. In all £3,588,300 or $3\frac{1}{2}$ millions will be added to our debt.

I must now advert to the amount of the cash balances. According to my last statement we hoped to com-

Budget Estimate, 1870-71.

mence the year just closed, 1869-70, with a cash balance of £11,917,473, or close on 12 millions, but we really did commence it with a balance of only £10,175,804, or less than 10½ millions. In case this discrepancy be attributed to some fault in the Account department, I should, in justice to that department, explain that such is not the case; for that part of the statement which depended on the Account department turned out correct enough; the discrepancy occurred in that part of the estimate for which the Government of India is responsible. The difference indeed arose solely from the income of the year 1868-69 being less, and the expenditure more, than was anticipated. The causes I have already explained to-day in the earlier part of this exposition. Again, in my last statement the cash balance at the close of the year 1869-70, was estimated at £11,627,310, or 11½ millions. It is now expected to amount to £13,644,859, or more than 13½ millions. The Council will naturally ask, how it is that, notwithstanding the financial troubles of the year, we end with more money in the treasury than was expected? The answer is, that out of the 3½ millions borrowed for public works extraordinary during the year, we have still one million in hand, and that there was the Puttiala loan besides to the amount of £400,000. Also the accident of the first English mail of last month, March, not having reached Calcutta till just after the close of that month, has caused a quarter of a million of bills and drafts, which were expected to be paid in March, that is in 1869-70, to fall into the following year, 1870-71. This too partly accounts for the difference observable in the cash statement between bills drawn and bills paid. The last-named sum of the cash balance is still, however, to some extent only an estimate which may be disturbed by variations in items on either side of an account, which, both

BUDGET ESTIMATE, 1870-71.

sides taken together, amounts in all to 168 millions. This estimate then of cash balances is nothing more than the balancing entry at the end of a really vast account. It has however been further checked by the actual assets in the various treasuries in India at the latest dates. On the 31st January last, there were actually £11,839,097, or nearly 12 millions in hand; on the 28th February (the latest month), there were £12,692,129, or over 12½ millions. Telegraphic estimates received from the several local Accountants General so recently as yesterday, make the actual cash balances on the 31st March £13,500,000. These estimates being framed with a knowledge of the actual balances at the presidency towns and with recent information as to the state of the balances at the more important treasuries in the interior, are not likely to be far wrong. The result—thus derived from opposite and independent data—corresponds very nearly with the amount (£13,644,859) worked out from our estimate and gives me considerable confidence in its general accuracy. The estimate must be exhibited in this manner, under our existing system, although it is exposed to so many chances. But I have now endeavoured to narrow the uncertainty by the comparison with the actual assets at the commencement of the eleventh month of the year, and at even later dates, which leaves a margin of one month only, or even less than one month, for uncertainty.

Commencing then the current year 1870-71 with a cash balance of 13½ millions as above seen, we estimate the receipts of our general treasury, including revenues, deposits, recoveries, loans, and the like at £84,265,466, or 84¼ millions on the one side: and the disbursements, including expenditure, ordinary and extraordinary, payments on account of debt, of Secretary of State's bills and the like at £73,696,023, or 73⅓ millions on the other side, leaving a balance of £10,569,443, or 10½ millions, as the

cash balance at the close of the year. It may be here asked why we expect the cash balances to be less by three millions this time twelve month than they are now. The answer is that we are to spend one million on public works extraordinary more than we borrow; that we are to advance half a million for the construction of railways in India more than we receive on that account in England; that the remittance account shows an adverse balance; that in the deposit and advance account the payments are slightly to exceed the receipts. These several items fully account for the difference. BUDGET ESTIMATE, 1870-71.

Having now completed my exposition of the finances, I shall, before concluding, mention that the subject of the financial relations between the Supreme Government and the several Local Governments is still under the consideration of the Government of India. I have of course formed and recorded my own opinion on the whole subject. But it is really not in my power to say anything regarding the matter on the present occasion, as I cannot tell what decision will be arrived at, or by what time, if formed, it could be carried out. CONCLUSION.

I may here add that some additional portion of the cash reserve of the Paper Currency department will probably be invested in Government securities. The Council may remember that in my last financial statement, I mentioned that the note circulation had risen to an amount above ten millions; it has since then risen further at one time to a sum between 11⅓ and 11½ millions, though of course there are fluctuations from time to time. The gradual and progressive increase in the circulation has been held to justify our enhancing a portion of the reserve which is held in Government securities. The amount thus to be held in securities is limited by law to four millions. We propose to extend that limitation to six millions,

Conclusion. and for this we have the express sanction of the Secretary of State. I have introduced a Bill for this purpose into this Council. The operation if authorized would be cautiously tentative, and some considerable time may elapse before the limit is approached.

It is a source of much regret to me that we have not yet been able to promulgate the rules, long since prepared, for the further development of Savings Banks in the interior of the country. But it has been necessary to consult many local authorities, and some delay has been unavoidable. The matter is, however receiving attention.

As the Council probably knows, no marked result has as yet been produced by the Notification of November 1868, whereby it was announced that the sovereign would be taken at the Government treasuries as an equivalent for ten rupees four annas, instead of ten rupees as before. The total number of sovereigns received in the Calcutta Treasury alone since that date exceeds 150,000. The importation of gold into India from November 1868 to January 1870 amounted to 7 millions sterling against 6 millions of the corresponding previous period.

In my last financial statement, allusion was made to the satisfactory condition of our public credit as proved by the prices of the Government stocks of all denominations. This favorable indication has again lasted throughout the year 1869-70, and this notwithstanding the prospect of the revenues turning out less, and the public expenditure more, than was estimated for. During this year the premia on Government 5 per cent. stock reached 9½ per cent., which rate was maintained through the months of June and July 1869; at the same period the premia on 5½ per cent. stock exceeded 14 per cent., the price of 4 per cents. at that

time ranged between 94 and 95, a rate that has since been steadily maintained. The gradual decline since 1868 in the value of 5 and 5½ per cent. stocks may of course be attributed to the diminution of the period for which the loans at those rates have currency. The loan of two millions bearing four per cent. interest, which was raised in India in April, the first month of the year, was subscribed on favorable terms, that is to say, at the average rate of 90 3/16 for every hundred rupees; the result being that the money was obtained at just over 4½ per cent. Subscriptions were invited by tenders, that is by open competition. Though the amount required was not more than two millions, yet the aggregate of tenders came to upwards of 5½ millions, and the number of persons who made tenders came to 611. Of the amount of tenders accepted, about one-fourth belonged to Natives of India; again out of 246 parties whose tenders were successful, 121 were Natives. CONCLUSION.

Such then is the budget for 1870-71. The main points in my exposition have been—

that, for 1868-69, the deficit of income as compared with the ordinary expenditure, originally estimated at one million, has, from various causes, swollen to 2¾ millions;

that, for 1869-70, instead of the equilibrium expected to be maintained between income and ordinary expenditure, there will be a deficit;

that, nevertheless, this deficit, which at one time threatened to be great, has been much reduced by additional taxation and by retrenchment of expenditure;

that from this additional taxation and this retrenchment of expenditure, the total gain to the finances within the year has amounted 1½ millions;

that, for 1870-71, there is estimated a small surplus of income over ordinary expenditure;

CONCLUSION.

that this estimate is arrived at after doubling the income tax, and reducing expenditure in the army and on the public works by $1\frac{3}{4}$ million;

that after balancing increases against decreases of all kinds, there is still a nett reduction of $1\frac{1}{2}$ million on the total expenditure of all descriptions;

that, in 1870-71, there are to be two millions of new taxation as compared with 1868-69, and three quarters of a million as compared with 1869-70; which taxation, however, for the most part, falls on the middle and upper classes, and but little on the poorer classes of the Natives of India;

that the expenditure on public works ordinary which stood at $6\frac{1}{5}$th millions in 1868-69, has been reduced to 5 millions in 1869-70, and to 4 millions for 1870-71;

that, besides the ordinary expenditure, there has been an extraordinary expenditure on reproductive public works, to be provided for by loan, in 1868-69 of $1\frac{3}{4}$ millions, and in 1869-70 of $2\frac{1}{2}$ millions, and that in 1870-71 there is proposed to be an expenditure of 3 millions;

that while the expenditure on public works ordinary has been falling, the expenditure on public works extraordinary has been proportionably rising;

that for the public works extraordinary, in 1869-70, there were borrowed 4 millions, out of which $2\frac{1}{2}$ millions have been actually expended in the year, leaving $1\frac{1}{2}$ million in hand;

that for the carrying on of public works extraordinary in 1870-71, at an expenditure of 3 millions, there are 2 millions to be raised in England, and that no new loan is to be raised in India at present; save the $\frac{1}{4}$ of a million to be advanced by the Maharaja Holkar for State railways.

that the object of our financial arrangements at present is to surmount the difficulties of the time, without adding any thing to the national debt for ordinary expenditure;

that we are striving to adhere strictly to the principle of accounting separately for sums borrowed for extraordinary and reproductive public works.

In concluding my exposition last year, I spoke of growing commerce and of expanding income. To-day, unfortunately, I have had to speak of trade depressed and of income diminished. But last year, I spoke also of an ordinary expenditure held in control; of the application of State capital to material improvement; of the resources furnished by public credit. And to-day, fortunately, I have been able again to speak of these. Last year the burden of my exposition was the existence of deficit. My hope then was that the deficit would be put an end to, but to-day I have had to acknowledge that the evil still exists, despite our efforts for its extinction. Once more, however, we have endeavoured to provide for at least an equilibrium, and even for a surplus. It remains to be seen whether this will be accomplished; but at all events no exertion will be spared for its accomplishment. And although great financial difficulties have occurred, still the general condition of the people, and the continued progress of the country, encourage us to hope that those difficulties, already so strenuously encountered, will be ultimately overcome.

*and India during the Year 1868-69*

| PAYMENTS. | England. | India | TOTAL. |
|---|---|---|---|
| | £ | £ | £ |
| 10. Ordinary expenditure ... | 11,946,604 | 42,244,243 | 54,190,847 |
| 10A. Extraordinary expenditure | 352,655 | 1,017,958 | 1,370,613 |
| 11. Deposits repaid and advances recoverable, &c. ... | ... | 15,363,614 | 15,363,614 |
| 12. Local remittances ... | ... | 366,336 | 366,336 |
| 13. Interprovincial and interdepartmental transactions.. | ... | 15,758,464 | 15,758,464 |
| 14. Remittance account ... | 942,100 | 1,140,644 | 2,082,744 |
| 14A. Abyssinian expedition ... | 825,248 | 7,090,547 | 7,915,595 |
| 15. Bills of exchange ... | ... | 4,435,806 | 4,435,806 |
| 16. Railway capital ... | 2,301,170 | 2,564,323 | 4,865,493 |
| 17. Debt paid ... | 502,500 | 1,279,614 | 1,782,114 |
| 18. Closing balance ... | 3,025,981 | 10,175,804 | 13,201,785 |
| TOTAL ... | 19,896,258 | 101,437,153 | 121,333,411 |

AND MEANS OF THE YEAR HAVE BEEN PROVIDED.

| | | |
|---|---|---|
| Deficit on ordinary account ... ... ... | £ | 2,774,030 |
| Extraordinary expenditure ... ... ... | ,, | 1,370,613 |
| Deposits repayable and advances recovered ... ... | ,, | 370,587 |
| Remittances ... ... ... ... | ,, | 196,970 |
| Abyssinian advances ... ... ... ... | ,, | 1,375,330 |
| Bills of Exchange .. ... ... ... | ,, | 672,776 |
| TOTAL ... | £ | 6,760,306 |

E. F. HARRISON,
*Comptroller General of Accounts.*

R. B. CHAPMAN,
*Offg. Secy. to the Govt. of India.*

*Estimated Receipts and Payments in England*

| RECEIPTS. | England. | India. | TOTAL. |
|---|---|---|---|
| | £ | £ | £ |
| 1. Opening Balance ... | 3,025,981 | 10,175,804 | 13,201,785 |
| 2. Ordinary Income ... | 103,604 | 52,838,878 | 52,942,482 |
| 3. Deposits re-payable and advances recovered, &c. ... | ... | 14,653,663 | 14,653,663 |
| 4. Local remittances ... | ... | 827,776 | 827,776 |
| 6. Remittance account between England and India ... | 219,000 | 1,412,910 | 1,631,910 |
| 6A. Abyssinian recoveries ... | 1,301.388 | ... | 1,301,388 |
| 7. Bills of Exchange ... | 7,080,000 | ... | 7,080,000 |
| 8. Railway capital ... | 4,051,000 | ... | 4,051,000 |
| 9. Borrowed ... ... | 2,683,000 | 4,312,940 | 6,995,940 |
| TOTAL ... | 18,463,973 | 84,221,971 | 102,685,944 |

ABSTRACT OF THE ABOVE, SHOWING HOW THE WAYS AND

| | | |
|---|---|---|
| Local remittances ... ... ... ... | £ | 350,665 |
| Remittances, England and India ... ... ... | „ | 110,226 |
| Abyssinian recoveries ... ... ... ... | „ | 917,819 |
| Bills of exchange ... ... ... ... | „ | 1,264,300 |
| Borrowed... ... ... ... ... | „ | 4,289,500 |
| TOTAL ... | £ | 6,932,510 |

FORT WILLIAM;
FINANCIAL DEPARTMENT,
*The 2nd April* 1870.

EDWARD GAY,
*Deputy Comptr. Genl. of Accounts.*

*and India during the year 1869-70.*

| PAYMENTS. | England. | India. | TOTAL. |
|---|---|---|---|
| | £ | £ | £ |
| 10. Ordinary Expenditure ... | 11,972,473 | 41,595,603 | 53,568,076 |
| 10A. Extraordinary do. .. | 1,170,043 | 1,446,700 | 2,616,743 |
| 11. Deposits repaid and advances recoverable, &c. ... | ... | 15,879,082 | 15,879,082 |
| 12. Local remittances ... | ... | 477,111 | 477,111 |
| 14. Remittance account between England and India | 1,128,408 | 393,276 | 1,521,684 |
| 14A. Abyssinian expedition ... | 1,569 | 382,000 | 383,569 |
| 15. Bills of exchange ... | ... | 5,815,700 | 5,815,700 |
| 16. Railway capital ... | 2,370,000 | 2,382,500 | 4,752,500 |
| 17. Debt paid ... ... | 501,300 | 2,205,140 | 2,706,440 |
| 18. Balance (closing) ... | 1,320,180 | 13,644,859 | 14,965,039 |
| TOTAL ... | 18,463,973 | 84,221,971 | 102,685,944 |

MEANS OF THE YEAR ARE ESTIMATED TO BE PROVIDED.

| | | | | |
|---|---|---|---|---|
| Deficit on ordinary account | ... | ... | ... | £ 625,594 |
| Extraordinary expenditure | ... | ... | ... | „ 2,616,743 |
| Deposits and advances | ... | ... | ... | „ 1,225,419 |
| Railway capital ... | ... | ... | ... | „ 701,500 |
| Cash balance increased | ... | ... | ... | „ 1,763,254 |
| | | | TOTAL ... | £ 6,932,510 |

E. F. HARRISON,
*Comptr. Genl. of Accounts.*

R. B. CHAPMAN,
*Offg. Secy. to the Govt. of India.*

*Estimated Receipts and Payments in England*

| RECEIPTS. | England. | India. | TOTAL. |
|---|---|---|---|
| | £ | £ | £ |
| 1. Opening Balance ... | 1,320,180 | 13,644,859 | 14,965,039 |
| 2. Ordinary Income ... | 59,400 | 52,268,355 | 52,327,755 |
| 3. Deposits re-payable and advances recovered, &c. ... | ... | 12,554,698 | 12,554,698 |
| 4. Local remittances ... | ... | 263,342 | 263,342 |
| 6. Remittance account between England and India ... | 202,000 | 1,725,442 | 1,927,442 |
| 6A. Abyssinian recoveries ... | 100,000 | ... | 100,000 |
| 7. Bills of exchange ... | 9,500,000 | ... | 9,500,000 |
| 8. Railway capital ... | 4,624,000 | ... | 4,624,000 |
| 9. Borrowed .. | 2,000,000 | 3,808,770 | 5,808,770 |
| TOTAL .. | 17,805,580 | 84,265,466 | 102,071,046 |

ABSTRACT OF THE ABOVE, SHOWING HOW THE WAYS AND

| | | |
|---|---|---|
| Cash balance reduced ... ... ... ... | £ | 2,376,589 |
| Surplus in ordinary account ... ... ... | „ | 163,440 |
| Local remittances ... ... ... ... | „ | 66,066 |
| Remittance England and India .. ... ... | „ | 12,506 |
| Abyssinian recoveries ... ... .. ... | „ | 100,000 |
| Borrowed ... ... ... ... | „ | 3,588,300 |
| TOTAL ... | £ | 6,306,901 |

FORT WILLIAM;
FINANCIAL DEPARTMENT,
*The 2nd April* 1870.

EDWARD GAY,
*Depy. Comptr. Genl. of Accounts.*

*and India during the Year 1870-71.*

| PAYMENTS. | England. | India. | TOTAL. |
|---|---|---|---|
| | £ | £ | £ |
| 10. Ordinary Expenditure ... | 11,836,745 | 40,327,570 | 52,164,315 |
| 10A. Extraordinary do. ... | ... | 3,062,300 | 3,062,300 |
| 11. Deposits repaid and advances recoverable, &c.... | ... | 14,754,499 | 14,754,499 |
| 12. Local remittances ... | ... | 197,276 | 197,276 |
| 14. Remittance Account between England and India | 1,652,828 | 262,108 | 1,914,936 |
| 14A. Abyssinian expedition ... | ... | ... | ... |
| 15. Bills of exchange ... | ... | 10,000,000 | 10,000,000 |
| 16. Railway capital ... | 2,297,000 | 2,871,800 | 5,168,800 |
| 17. Debt paid ... ... | ... | 2,220,470 | 2,220,470 |
| 18. Balance (closing) ... | 2,019,007 | 10,569,443 | 12,588,450 |
| TOTAL ... | 17,805,580 | 84,265,466 | 102,071,046 |

MEANS OF THE YEAR ARE ESTIMATED TO BE PROVIDED.

| | | |
|---|---|---|
| Extraordinary expenditure ... ... ... | £ | 3,062,300 |
| Deposits and advances ... ... ... | „ | 2,199,801 |
| Bills of exchange ... ... ... ... | „ | 500,000 |
| Railway capital ... ... ... ... | „ | 544,800 |
| TOTAL ... | £ | 6,306,901 |

E. F. HARRISON,
*Comptroller General of Accounts.*

R. B. CHAPMAN,
*Offg. Secy. to the Govt. of India.*

9TH MARCH 1871.

COUNCIL OF THE GOVERNOR GENERAL OF INDIA,

ASSEMBLED AT CALCUTTA,

FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS.

# FINANCIAL STATEMENT,

# 1871-72.

BY THE HON'BLE SIR RICHARD TEMPLE, K.C.S.I.

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CALCUTTA:
OFFICE OF SUPERINTENDENT OF GOVERNMENT PRINTING.
1871.

## ABSTRACT

*For the Electric Telegraph and the Press.*

Exposition in three parts: first, actuals 1869-70; regular estimate 1870-71; budget estimate 1871-72.

| | | |
|---|---|---|
| Actuals for 1869-70— | | |
| Receipts | ... £50,901,081 or 51 | millions. |
| Ordinary expenditure | ... £50,782,413 or 50¾ | ,, |
| Extraordinary | ... £ 2,599,614 or 2½ | ,, |
| Surplus of receipts over ordinary expenditure | ... £ 118,668 | |
| Regular Estimate for 1870-71— | | |
| Receipts ... | ... £51,048,900 or 51 | millions. |
| Ordinary expenditure | ... £50,051,800 or 50 | ,, |
| Extraordinary | ... £ 1,146,800 or 1⅕ | ,, |
| Surplus of receipts over ordinary expenditure | ... £ 997,100 or 1 | million. |
| Budget for 1871-72— | | |
| Receipts | ... £49,098,900 or 49 | millions. |
| Ordinary expenditure | ... £49,005,500 or 49 | ,, |
| Extraordinary | ... £ 3,626,000 or 3⅔ | ,, |
| Surplus of receipts over ordinary expenditure | ... £93,400. | |
| Actual cash balances in Indian Treasuries on 31st March 1870 | ... £13,940,451 or 14 | millions. |
| Regular estimate, cash balance on 31st March 1871 | ... £16,012,351 or 16 | millions. |
| Budget Estimate ditto on 31st March 1872 | ... £15,121,251 or 15 | millions. |

The loan provision for 1871-72 amounts to $2\frac{1}{2}$ millions, to be raised in England, but no loan to be opened in India.

Secretary of State's Drafts for 1871-72 on India to amount to 9 millions.

The several Local Governments in India to have increased financial control over certain provincial services, namely, jails, registration, police, education, and roads and civil buildings; the grant for these services in all India amounts to $4\frac{3}{4}$ millions;

Imperial grant for Public Works ordinary in 1871-72, of $2\frac{1}{3}$ millions; for extraordinary, $3\frac{1}{2}$ millions.

Some reductions of civil and of military expenditure;

Rate of income-tax reduced from $3\frac{1}{8}$ to one per cent.; and incomes between 750 and 500 rupees per annum exempted altogether, no other alterations in revenue or taxes.

Bills for new local taxations passed in Madras, introduced for the North-Western Provinces, Oude, and the Punjab, under consideration for Bengal and Bombay;

Gross Opium Revenue, actuals for 1869-70, £7,951,557, or 8 millions.

Regular Estimate for 1870-71, £7,996,800, or 8 millions.

Budget for 1871-72, £8,038,500 or 8 millions.

Measures adverted to for establishment of district savings banks; for issue of five-rupee notes; and for coinage of ten-rupee and five-rupee gold pieces.

# FINANCIAL STATEMENT

BY

THE HON'BLE SIR RICHARD TEMPLE, K. C. S. I.

9TH MARCH 1871.

MY LORD,

PREFACE. I have now to present the Budget of British India for the year 1871-72, this being the twelfth annual statement presented since the introduction of our existing financial system.

I shall commence by adverting to the form in which the statement has been drawn up.

It will be recollected that in my exposition delivered before this Council on the 2nd April last, I explained the alteration made in the exhibition of the account of Government with the Guaranteed Railway Companies. By that alteration we showed on one side the amount of guaranteed interest payments, and, on the other side, the amount of net traffic receipts; instead of the former method, whereby only one item was shown, namely, the guaranteed interest less the net traffic receipts. In other words, we exhibited the account gross on both sides, instead of the expenditure net on one side. Well, the Secretary of State has determined, after considering all our representations in favor of the alteration, that we must still continue to exhibit the account as before by its net result on the expenditure side, that is by one item, namely, "Guaranteed interest less net traffic receipts." I have

PREFACE. accordingly to exhibit the guaranteed interest net in the statement itself. But at the foot of the statement there are appended figures showing the account gross in the method explained in my last financial statement, which method was, I believe, approved generally by this Council and by many others interested in this portion of our finance. Thus the important objects set forth in my last exposition will still be fully attained.

This modification will make no difference in the ultimate result of the figures as regards surplus and deficit. But it will make a difference in the totals of receipts and expenditure, that is, the deduction of an equal amount from both sides of the account. The grand totals, therefore, of the statement I shall make to-day will not admit of exact comparison with those of my statement in April of last year. But the figures of surplus and deficit on this occasion and the last will be strictly comparable.

Also I explained in April last why we had transferred the canal water rent from the heading of public works receipts to the heading of land revenue. We have since determined, on a further review of all the circumstances, to exhibit these irrigation receipts separately. I trust that this growing item, now nearly half a million annually, will prove of general interest. Its growth is indeed anxiously awaited by us, in order that there may be some appreciable off-set to the fast-accruing interest on capital outlay.

Lastly, it has been considered proper to show again under one head the entire revenue raised by stamps, whether under the General Stamp Act or the Court Fees Act.

After this brief preface I proceed to deal with the figures in the same order as that observed in all previous

statements; that is, firstly, the actual figures for the past year 1869-70; secondly, the approximate figures for the current year 1870-71, according to the regular estimate; and thirdly, the proposed figures for the coming year 1871-72, according to the budget. I shall take the figures from the combined statement for England and India in the same manner as I did last year. PREFACE.

I begin then with the past year 1869-70. The Council will recollect that the regular estimate for that year exhibited in my last exposition showed an anticipated deficit of income below ordinary expenditure of £625,594, or more than half a million sterling. The actual figures, however, now show a small surplus of £118,668. Thus the actual turns out more favorable than the estimated account by £744,262, or three quarters of a million. It is also slightly more favorable (by £57,796) than the approximately actual figures published in September last; this small difference being attributable mainly to the railway account. I shall explain briefly the causes of this fortunate result. The receipts of the year were taken in the regular estimate at £50,297,052; they have proved to be £50,901,081, showing a difference favorable of £604,029. The ordinary expenditure was estimated at £50,922,646. It has proved to be £50,782,413, showing a difference favorable of £140,233. The favorable difference in receipts is partly nominal, arising from certain items being shown gross which in the estimate were shown net; but chiefly real, arising from unexpected recoveries in the Military Department by the sale of stud cattle and by the adjustment of the value of supplies to the Abyssinian Expedition and to the civil departments and administrations, and also from a variety of small increases under several heads of revenue,—to wit, land revenue, ACTUALS, 1869-70.

ACTUALS, 1869-70.

income tax, customs, salt, stamps. The difference favorable in expenditure arises chiefly in the military heading, the savings from the reductions of expenditure proving somewhat greater than had at first been hoped for; partly also from the amount of unpaid dividends and unclaimed allowances being more than was anticipated; partly, further, from various smaller savings in civil branches,—to wit, land revenue, opium, administration departments, post office, and police. In a word, the largest difference on the whole account (£315,116) is attributable to the unexpected additional military recoveries and to the favorable financial effect of the military reductions which had been ordered.

Thus ends the financially eventful year 1869-70. The original estimate showed a small surplus of £52,650. As the year wore on, a large deficiency, arising partly from a fall in opium and depression of trade, was anticipated. Various measures detailed in the last financial exposition were taken to avert the threatened deficiency. Still, as proved by the regular estimate, fears were entertained up to the close of the year that the deficit, though greatly diminished, would not be altogether avoided. The result, however, as shown by the actuals, proves that the original estimate has been more than fulfilled, the actual surplus being £118,668.

This result is owing partly to management, and partly to fortune. The management consisted in the measures adopted within the year by the Supreme Government and in the economies carried out by the local Governments. The fortune consisted of a variety of adjustments and recoveries, for the most part unestimated, bettering the account, on the whole, to the net extent of £866,580. I am constrained to make this remark because it seems to

have been supposed in some quarters that we brought out the surplus lower than it ought to have been by a variety of debit adjustments made at the last moment! Now we certainly had to make a variety of adjustments (all of which were completed before the production of my last statement to this Council), thereby clearing once for all a number of long standing and unsettled items from the public accounts. Some of these were on the credit, others on the debit side. After setting the latter against the former, the result was a net advantage to the account as just set forth. Thus the unavoidable operation was not, as has sometimes been supposed, at all unfavorable to the final out-turn, but actually favorable!

Further, if I have apprehended rightly, it seems to have been understood in some quarters that the favorable result just described shows that the measures taken during that year by the Government of India were, after all, not necessary, or that there may be difference of opinion as to their necessity. I will therefore declare, for the last time, that those measures were both just and necessary, and that there is not—there never has been—any difference of opinion in the Government of India on the subject. I showed in my last exposition that those measures bettered the account by $1\frac{1}{2}$ million sterling. Had it not been for them, therefore, there would have been a deficit of nearly $1\frac{1}{2}$ million, instead of the small surplus which I have the pleasure to announce to-day. It seems to me that this is as strong a financial justification of those measures as could reasonably be expected.

Further, I understand it to have been held in some quarters that the occurrence of this small surplus, instead of deficit, for the past year 1869-70, does, to some

ACTUALS, 1869-70.

extent, cut away the ground from under the measure of the increased rate of income tax for the present year 1870-71. I can admit, however, nothing of the sort. It is true that, amidst an accumulation of many reasons for the enhanced rate of income tax, the anticipated deficit of 1869-70 was one. But the disappearance of this one reason does not at all affect the other and graver reasons. Among these reasons were the deficits of preceding years, unfortunately beyond question, evincing unsatisfactory tendencies in our finance, which tendencies could only be stopped by fresh taxation. But the principal reason lay in the condition and prospects of the year 1870-71, to which I have yet to advert. The increased income tax was imposed for 1870-71, the estimate for which year was framed on data of its own, many of which were independent of the out-turn of the preceding year. Even if the actual figures of the year 1869-70 had been known, which was impossible, the prospect of deficit for 1870-71 would have remained unaffected in any essential degree. The surplus of one year cannot be carried over as it were to mitigate the prospect of deficit for the following year.

REGULAR ESTIMATE, 1870-71.

This brings me to the figures of the current year 1870-71. As the Council recollects, the budget showed a surplus of £163,440. The regular estimate now shows a surplus of £997,100, amounting to a difference in our favor of £833,660, of which I shall briefly explain the causes.

The receipts, omitting the net railway traffic receipts, were estimated in the budget at £49,479,585, they are now estimated at £51,048,900, showing a difference in our favor of £1,569,315. Of this increase the main item is £1,074,519, under the head

of opium. The improvement of the opium receipts arises from the price of Bengal opium having been, on the average of the year, Rs. 1,121-8, or £112-3*s.*, per chest, instead of Rs. 975, or £ 97-10*s.*, per chest, as was first estimated; also from the quantity of Malwa opium having been 38,742 chests instead of 33,600, as was first estimated.

In my last exposition, I gave to this Council the reasons why the opium estimates had been cautiously framed, namely, the actual fall and the further downward tendency of prices on the Bengal side and the indifferent prospects of the drug on the Bombay side. The out-turn of the crops on both sides of India has proved, however, even better than was expected; and, throughout the year, the advices from China have been favorable. The improvement of the Indian opium trade in China must, of course, have had its causes, which causes may be connected with the condition of the indigenous culture of the drug in China itself; but what exactly those causes are, I hesitate to state to this Council. I may have my opinion and conjectures, but I really do not know, and I have not heard of any one who does know. Those nearest to the spot and best qualified to judge have not as yet been able to explain satisfactorily. All I can say now, therefore, is that we are carefully watching every indication afforded by each fact in detail as it becomes known. But I must add that assuredly, at the commencement of the year, when the last budget was prepared, we had no right whatever to reckon on the improvement which has occurred, and no sign or fact whatever to reasonably indicate that it would occur. Therefore this stroke of fortune does not, in the least, shake my conviction as to the prudence and propriety of the moderate estimate which was made. Nor does it at all encourage me to relax the watchfulness and caution

REGULAR ESTIMATE, 1870-71.

necessary in framing the opium estimates for the coming year.

Recently we have published a resumé of all the official information possessed by us regarding the growth of opium in China. The facts therein shown regarding the quantity and quality of the Chinese drug fully bear out what I stated in my exposition of last year, to the effect that the Indian opium trade with China is threatened with a serious competition. It appears that the culture of the poppy in China expanded in the years 1866 and 1867, and that the produce obtained in the summer of 1868 was abundant, and was nearly as good in the summer of 1869. After that, reports reached us of injuries to and failures in the Chinese produce of the summer of 1870. These were corroborated by the subsequent rise in the price of the Chinese drug. Now is there any connexion, and if so, what, between these circumstances in China and the recent rise or fall of prices of the Indian drug? I really cannot answer these questions. There may be no such close or direct influence exercised by the Chinese upon the Indian drug. It may be said that the two drugs are consumed by different classes in China. The Indian prices must be affected by the increased supply from India itself; also speculation forms an important element in the case; and our experience of Chinese opium, on any considerable scale, is as yet but short, while the information obtainable from the interior of China is often tardy and uncertain.

There remain some items of increase on which the Council may desire a word of explanation. There is an increase of £92,508 under land revenue. This is due to a considerable improvement in Madras, apparently from the realization of arrears outstanding from previous years of drought.

The increase of £141,500 in customs has accrued at the ports of Calcutta, British Burma and Madras, and not at all at the port of Bombay. This increase may perhaps surprise those who are not practically acquainted with the import trade. The major part of that trade, namely, the European piece goods, has not, despite large importations, been altogether flourishing, inasmuch as the sale of these important goods for the markets in the interior has not been so favorable to importers as we might have wished. It is feared that the improvement in customs is partly due to over-importation which again may be in some respects connected with the abnormal condition of the European markets during this very eventful year. We may regret that the increase of the revenue does not yet indicate a corresponding improvement in trade. But the fact that such large quantities of goods have been taken (though at somewhat low prices) is an index of the prosperous condition of the people at this moment, and affords hope for the future progress of the trade.

The £72,600 of increase in excise arises in Northern India and Madras; the harvests having been good or abundant.

The increase of £144,510 in the post office is almost wholly nominal, owing to the fuller exhibition of the charges made against the various departments of the administration for official postage.

The increase of £289,226 in miscellaneous receipts arises from a large item (£93,497) of assets of the ameers' fund at Bombay, long held in suspense, being credited to Government; from the current adjustments from the balances of the military and medical funds being larger than was anticipated; and from an arrear

REGULAR ESTIMATE, 1870-71.

adjustment from these balances. The circumstances under which the assets and liabilities of these funds were transferred to the State and the principle upon which the charges of each year are adjusted, were expounded in my last financial statement.

The increase of £166,775 in army receipts is owing to general augmentation under a variety of heads, such as sale of stores, malt liquor, and the like.

On the other hand, there are some instances of diminution in receipts. One important item of decrease is that of £105,000 under the head of assessed taxes. This means that the $3\frac{1}{3}$ per cent. income tax, together with some arrears of the preceding year, was estimated to yield £2,180,000, and is now estimated to yield £2,075,000. The falling off chiefly arises from the circumstances of several of the tax-paying classes in Bengal, Bombay, and Madras having been less favorable, owing to the state of trade, than was expected. When the losses in trade are remembered—when it is also remembered that the more exact assessments under the new law and under the high rate, were sure to be favorable to the tax-payers, and that the enhancement of a direct tax of this sort is sure to be met with a certain degree of passive resistance, I think that the out-turn of the tax for the year promises to be satisfactory, and to prove creditable to the several local Governments. We have constantly observed all the complaints that have been made regarding the assessment or the realization of the impost, and we have done all we could to prevent any just cause of complaint arising. We cannot venture to hope that no such cause has arisen anywhere, knowing indeed that in such a country as this, regrettable circumstances may occur without coming to light. But it is noteworthy that on a circular being addressed by us to the

several local Governments in India, enquiring whether there were any known cases of oppression or over-exaction, we received replies from all of them (except the Government of Bengal) to the effect that no such cases were known. The Government of Bengal indeed did transmit a resumé of some thirteen cases; this number is of course a matter for much regret, though relatively it is not large.

Salt again shows a decrease of £72,870, which is, however, more than counterbalanced by a decrease in the charges of £82,519. Less salt has been manufactured and sold than was expected, under the special arrangements at the Sambhur lake in Rajpootana.

Another item of decrease is that of £107,670 in the Mint receipts. Very little bullion has during the year been presented for coinage, owing to the unfavorable state of the exchanges.

A further item of decrease to be noticed is that of £129,280 in the forest receipts. This arises from the consumption of timber by the railways having been less than was expected. The circumstance proceeds really from the State railway works not having been so vigorously prosecuted as was intended. There is, from the same cause, a diminution of outlay (£51,540) under the head of forests.

There are other small differences, some more, others less, which can be seen in the general sheet, but which I need not now stop to explain. The net result is an income of upwards of fifty-one million pounds sterling, (£51,048,900), exclusive of net railway traffic receipts, which amount, if compared with corresponding amounts of previous years, transcends them all, and represents the largest revenue ever yet raised in British India.

REGULAR ESTIMATE, 1870-71.

Turn we now to the ordinary expenditure of the year. That was estimated in the budget at £49,316,145; it is now estimated at £50,051,800, showing a difference against us of £735,655. The causes of this difference also I shall explain.

There is an increase of £31,498 under interest on miscellaneous accounts by reason of the decision to allow interest on deposits of the Indus Flotilla; of £51,890 under opium by reason of the crop of 1870 proving larger than was expected, and of extending cultivation; of £45,917 under post office by reason of arrear payments in England on account of the mail service; of £14,325 under political agencies by reason of the postponement from last year to this year of a payment in England for the embassy to China; of £82,647 under superannuation and retired allowances, corresponding with an increase under miscellaneous receipts which I have already explained, and arising from the payments to the pensioners of the late military and medical funds proving larger than was estimated.

These are all minor items of increase. But there are three major items on which I must bestow a few moments. They occur under the heads of miscellaneous, of army, and of railways.

The heavy increase of £414,908 in the miscellaneous heading arises chiefly from what is technically termed loss by exchange. This is calculated on an assumed, though not an actual, basis of two shillings to the rupee. We are under the obligation of providing annually a large sum in England in pounds sterling for the payments in that country on account of the Government of India. This provision is principally effected by the sale in London of bills drawn by the Secetary of State on the exchequer in India. The amount originally intended

to be drawn by the Secretary of State during the year was 9½ millions sterling. The amount actually supplied during the year in England will be 9 millions, although with outstanding bills of past years we shall have to pay 9½ millions (£9,525,000) in India. Judging by the best information at our command, we estimated that the Secretary of State's bills would be sold at an average rate throughout the year of 1*s.* 11¼*d.* for the rupee, which would have involved, on 9½ millions sterling, a loss by exchange of a little more than £300,000, which was the sum provided. This of course was only a forecast of a matter on which foreknowledge was impossible. The actual supply of funds to the Secretary of State, including the specie remittances to be presently referred to, has been effected at an average rate of only a little better than 1*s.* 10½*d.* for the rupee, involving a loss by exchange of £600,000. In other words, we hoped to pay only 3·16 per cent. on the basis of the assumed par, for providing the money for discharging our obligations; in fact, however, we have had to pay 6·67 per cent. Judging by all past experience, we deemed our estimate moderate. But the great events in Europe have disturbed exchanges and caused this misfortune to us, which could not have been foreseen.

As part of the 9 millions sterling supplied during the year, we had, last August, to ship in specie from India to England about 62 lakhs of rupees (Rs. 62,10,688) or £620,000. We were informed by the Secretary of State that his bills on India were, for the moment, unsaleable in London. It therefore became immediately necessary for us to remit specie wherewith to provide the means of discharging our current obligations in England. This was accordingly done with the requisite despatch. The produce in England of these remittances was £571,812, or

Regular Estimate, 1870-71.

only a little above 1*s.*-10*d.* (1*s.*-10·09*d.*) per rupee; but the indirect effect of the operation upon the exchanges is believed to have been favorable.

A new item will be perceived in the regular estimate which was not entered at all in the budget, namely, that of allotments for provincial services, £200,000. This entry appears for the first time. It relates to the scheme set forth in our resolution of December last, entrusting to local Governments increased financial control in certain departments, the provisions of which scheme I shall presently re-capitulate. In order that the local Governments may be able to inaugurate this plan successfully, and to have, as it were, a fair start, it is found most desirable to give them a special allotment of funds to begin with, in addition to the regular allotment they will receive year by year for the next and subsequent years. The regular annual allotments have been made on the basis of the budget grants for 1870-71. In fact, however, there have been savings effected in the current year on these grants aggregating, for all India, perhaps £200,000, though the precise sum cannot be stated with certainty. Under all the circumstances, inasmuch as the savings have been effected in the current year, we have decided to make the special allotment from the resources of this year; and to fix the amount at £200,000, to be distributed rateably among the local Governments,—an arrangement which will, we hope, prove satisfactory to them.

The increase of £554,659 under the head of army has arisen partly in England and partly in India. The increase in England amounts to £361,859 and in India to £192,800. The increase in England is in overland transport charges; in furlough allowances; and for breech-loading arms. The overland transport system is a new

one which is gradually developing itself, and of which it may be difficult in England to estimate accurately the cost beforehand. The increase of furlough allowances arises entirely from officers now drawing pay in England under the new system, who would under the old system have drawn larger allowances on duty in India. For the increased charge on account of the new breech-loading arms, the Government of India willingly takes the responsibility, having made urgent indents therefor.

The increase in India is due to the adjustment this year of a large sum on account of the charges for the overland troop transports defrayed in past years in India, which we had been led to suppose had been included in the home accounts. But for this arrear adjustment, the net charge for the army in India, which is even now only £72,735 more than the estimate, would have been less than was originally estimated by about £300,000. This is specially satisfactory in connection with the fact that the budget estimate for expenditure in India was for a large reduction over the preceding year.

The third item of increase is that of £319,517 under guaranteed interest on railway capital less net traffic receipts. This arises from the net traffic receipts having fallen off; they were estimated at £2,848,170; they are now estimated at £2,530,700. This diminution again does not arise from working expenses having proved greater, but from traffic earnings having proved less, than the anticipation.

So much for the increases. On the other hand there is a long list of diminutions arising partly from estimates having been prudently framed, partly from savings having been effected; these range at amounts from £500 to £100,000, and occur under the heads of interest, refunds, land revenue, forests, excise,

REGULAR ESTIMATE, 1870-71.

assessed taxes, customs, mint, telegraph, administrations, minor departments, law and justice, police, marine, education, ecclesiastical, stationery and printing, and allowances under treaties. If this series of savings shall be sustained by the actual account, the result will be very satisfactory. The normal ordinary expenditure for public works has been kept well within budget limits. To this has been added an assignment of £40,000, to the trustees of the Indian Museum for the completion of the building: it was found necessary to make this grant for this important public structure, in order to fulfil, as nearly as practicable under the circumstances, the obligation imposed upon us by Act XVII of 1866, to complete the Museum building by the 23rd of the present month of March 1871.

The saving of £141,710 under railways is chiefly due to delay in taking up land for the Oudh and Rohilkhund line.

So much for the ordinary expenditure. Before quitting the current year's account, however, I must just advert to the extraordinary expenditure. For this £3,062,300, or 3 millions, were estimated to be spent, but only £1,146,800, or about $1\frac{1}{7}$ million, has been actually disbursed. The difference is largely accounted for by the unavoidable delay in prosecuting the State railway works, by reason of the pending questions relating to the gauge best suited for adoption. These questions having now been decided, we may hope to see the works more rapidly proceeded with. The extraordinary added to the ordinary expenditure makes up a total of £51,198,600, or $51\frac{1}{2}$ millions.

Such are the figures for the current year 1870-71, so far as they are yet known; the estimate being based on

the actual figures of ten months for all, and of eleven months for a few, of the main heads of income, of ten months for all branches of civil expenditure, and of nine months for the Army and the Public Works Department. I must, however, remind the Council of what has been stated in former expositions, to the effect that the figures of the regular estimate are liable to modification by reason of the facts which may come out in the course of the remaining two or three months. These months are in themselves financially very important months, and in March the whole accounts of the year are completed and adjusted. The accounts of the year 1870-71 cannot be even approximately closed for nearly six months to come, so that, although we have omitted no precaution to obtain the best forecast now possible, we must not be surprised if the final result of the year differs considerably even from the revised estimate now presented.

The main result now apparent is that as regards income and ordinary expenditure, the budget estimate showed a small surplus of one-sixth of a million, and that the regular estimate shows a considerable surplus of a million. On the one hand it is observable that this satisfactory surplus is wholly due to the unlooked-for rise in opium; and that without this piece of good fortune on the receipt side, we should, apart from the special assignments for the Museum and for provincial services, have had a little less than the surplus of £163,440 originally estimated. On the other hand it is equally observable that on the expenditure side there has been a piece of ill fortune, namely, the heavy loss by exchange, produced by great events beyond the reach of ordinary calculation. Thus if the argument of fortune be pressed upon us, I should reply that if there has been

Regular Estimate. 1870-71.

an extraordinary increment of a million on the receipt side, there has been also an extraordinary increment on the expenditure side; and that if the one point be set against the other, there would still be a surplus in our favor of more than half a million, that is, a surplus somewhat above that which was originally estimated: in fact, just the amount of surplus which is necessary for safe and sound finance and no more. This perhaps is the fairest light in which to regard the situation at this moment. And certainly, if these two items be excluded, the general conformity of the regular estimate with the budget is highly satisfactory, both as regards receipts and expenditure, and more especially as regards expenditure, which in India has been kept well within bounds.

But in regard to the (perhaps unfortunately) cardinal importance of the opium revenue to our general finance, let us for a moment consider what would have been the situation had the opium increase of £1,074,519 not accrued. Why, the consequence would have been that, apart from the exceptional allotments of £200,000 to the Local Governments wherewith to begin the provincial service scheme, and of £40,000 to the trustees of the Indian Museum, I should have to-day shown a surplus of £162,581, or almost exactly the sum originally estimated, *viz.*, £163,440. And this circumstance does, to my mind, prove conclusively the justice and necessity of the financial measures proposed in my last exposition and subsequently adopted by this Council for the current year.

When I say this, the mind of the Council will revert to the enhancement in the rate of the income tax. I apprehend that in some quarters it will be held that the present anticipation of a considerable surplus proves

that the increased rate of income tax was, after all, not necessary. But I cannot, in the least degree, admit such an argument.

Regular Estimate, 1870-71.

I have just explained that by one way of viewing the extraordinary circumstances of the year (which is the more favorable view for such an argument), we should only have had a moderate surplus, nearly the lowest amount compatible with safety and efficiency. By the other way of viewing the case (which is probably the more correct way), we should, without the opium increase, have had just the small surplus originally estimated. Therefore the argument, to my apprehension, turns on this question,—was the opium estimate in the budget a fair and prudent one, according to the knowledge available at the time? Has anything since transpired which may reasonably prove that estimate to have been too low under the circumstances wherein it was made? If that estimate was fair and prudent, then there is no ground whatever for impugning the justice and necessity of the enhanced income tax. When I say this, however, I by no means mean to admit that the justification of the income tax solely or even mainly rests on the opium estimate. For, even without this consideration, there were various and manifold reasons in justification of that measure.

But I consider that if the opium estimate be proved to have been reasonable, then any attack on the *financial* necessity of the enhanced income tax for the year must inevitably fail. I here advert to financial necessity, without at this moment adverting to political or other considerations. Now, what were the circumstances under which the opium estimate was framed? Let me remind the Council of the reasons adduced in my last exposition. It was then shown that there had been a

REGULAR ESTIMATE, 1870-71.

heavy fall in the price of Bengal opium; that, for a whole year, the decline had been almost regular and constant; that the tendency was still downwards; that a mass of information had been received from China indicating that the Indian drug would be subjected more and more to disadvantageous competition; that every practical authority whom we had been able to consult, both in China and India, considered that nothing but decline could be anticipated. I affirm that when our Bengal estimate was produced, it was considered not at all too low, but quite high enough in non-official circles, where practical knowledge is in this respect most available. Indeed the most sanguine estimate suggested to us by any one was only £122,500 in excess of that which we actually adopted. As regards the Malwa opium, the facts were almost as unfavorable. Our estimate, though realized in the end, had been a constant source of anxiety through the year. The local authorities had been constantly warning us of expected deficiency. The then prospects of the crop were not propitious. On a retrospect of the whole case, I am quite convinced that no higher, indeed no other, estimate could have been properly framed than that which was framed. And that being so, I have only to reiterate all the arguments adduced in my last exposition, to the effect that without the income tax at the $3\frac{1}{8}$ per cent. rate, we must have produced a budget with a large deficit; and that therefore the imposition of that tax was a matter of financial necessity at that time.

As regards the surplus above shown for the current year, we must remember that it is only anticipated as probable, and not yet actually realized. It may even yet fail us more or less. But if it shall be fully sustained by the ultimate event, it will be most gratifying, and will

occur indeed not at all before it is needed! In my former expositions I have shown that, although since the establishment of our financial system, the course of our finances has been certainly in many respects, and perhaps on the whole, satisfactory, still deficit has been too frequent, and surplus too rare. Of late years, especially, while curtailing our ordinary expenditure, we have been incurring, and preparing to incur, a liberal and extraordinary outlay in improving our great national estate, for which purpose the national debt is being added to. Now, if ever, then, is the time to secure a surplus of income over ordinary expenditure. Now is the season to prove, if we can, that we possess the determination and the means for keeping our income slightly in excess of our ordinary expenditure. We had scarcely dared to hope indeed that so good a result would be obtained within this very year, even after all the exertions that have been made. If it be obtained however, as now seems probable, then the circumstance will afford cause for nothing save congratulation; and we need never regret the efforts which have been made and the sacrifices which have been undergone.

REGULAR ESTIMATE, 1870-71.

But the existence of surplus for now two consecutive years, though not at all disturbing the reasons for the strong measures which have been adopted, does yet afford reasons for some relaxation of these measures in the coming year. And this remark appropriately brings me to the third part of my subject, namely, the budget for the year 1871-72 shortly to commence.

Before entering into details, I must however draw the attention of this Council and of all others interested in our finance to an important modification in the form of the statement for the year 1871-72. This modification has been made in order to give effect to the financial

BUDGET ESTIMATE, 1871-72.

BUDGET ESTIMATE, 1871-72.

resolution by the Government of India of the 14th December last. It will be remembered that by that resolution, an increased degree of control financially was accorded to the several local Governments in India, in certain civil branches,—to wit, jails, registration, police, education, medical services, printing, roads other than military, and civil buildings. We hope that this concession will give the local Governments an additional interest in the study and the enforcement of economy in expenditure; will afford them a just inducement to supplement their local receipts from time to time by methods either most acceptable to the people, or least fraught with popular objection; will cause a more complete understanding to arise between the executive authorities and the tax-paying classes respecting the development of fiscal resources; will teach the people to take a practical share in provincial finance, and lead them up gradually towards a degree of local self-government; and will thus conduce to administrative as well as financial improvement. The hopes which I am expressing, however sanguinely or confidently entertained, are, after all, but hopes, and, like all other hopes, may or may not be fairly realized. But let all this eventuate as it may, sure I am, with certainty free from shade of doubt, that the measure is advantageous to the imperial budget of British India. For it will have the direct effect of definitely limiting, for the present, the expenditure from the general exchequer on certain important branches of civil expenditure, the very branches indeed where, from the progressive spirit of the age, the demands for increased outlay have most arisen, and would most arise, and in which, from the nature of the case, the supreme central authority is least able to check the requirements of the local authorities.

Budget Estimate, 1871-72.

We have indeed, at the outset, inaugurated the measure by reducing the aggregate expenditure under these heads by one-third of a million (£331,038)* below the budget grant of 1870-71. This is, *per se*, something appreciable of course. But greater far financially is the advantage of setting some definite bounds to the constant growth and expansion of imperial outlay on these branches, of which the use and importance, though great indeed, are yet local rather than imperial. The more we consider the constant increases of late years in these particular headings; the difficulty which the Supreme Government has in resisting demands which have so much inherent excellence to recommend them; the desire which we all naturally feel to co-operate so far as possible in meeting such reasonable requirements; and yet the impossibility of meeting them unless local income can be legitimately and equitably augmented; the more do we perceive the importance of the financial principle (irrespectively of administrative and general considerations) embodied in the resolution of December last.

And the principle is in this wise. The local Governments are to have a fixed annual allotment from the general exchequer for these particular services, and are to appropriate as local income all receipts connected therewith. They are to regulate (subject to certain general rules) all the expenditure on those services. If the existing income, namely, imperial allotment, plus departmental receipts, shall suffice for the requirements of that expenditure, then that is well. If it shall not suffice, then the local Governments are

* The reduction appears, *primâ facie*, to be £350,000, but the share which would have fallen upon Burma (£18,962) has been restored, so that, after rounding the figures, the net retrenchment from all the local Governments aggregates only £331,038.

BUDGET ESTIMATE, 1871-72.

not to apply to the Government of India for increased grants. They must raise what they need by local taxation, or by such like means (subject to our central control) if they fairly can. But if they find that they cannot fairly manage this, then they must necessarily do without the increased expenditure. However much the necessity for doing without the increase may be regretted, there is no help for it. This is the only way of following the good old rule of cutting coat according to cloth. However important progress and improvement may be, financial safety is more important still.

I have seen it stated in some quarters that this new measure, by limiting the aggregate allotment for certain services, tends to deprive the local Governments of any benefit that may arise from increase of the revenue, and to secure all such benefit for the Supreme Government exclusively. I need hardly say that any such allegation is based on misapprehension; as if the Supreme Government had any separate domains or estates or appanages of its own, in which the local Governments had no particular concern! The Supreme Government has no interest separate from the interest of India generally, or from the aggregate of the interests of the several local Governments. The new measure, after all, deals with a part, and that a small part (about one-sixth) of the total civil expenditure. There still remains by far the greater part of this expenditure under the central control, including such branches as law and justice, the fiscal departments and the departments of general administration, as before, for all which expenditure grants are made to the local Governments. If the revenues increase, there will be benefit to these branches, whether it be in the enhancement of pay, in the expansion of departments, or in new outlay, all which benefits will be felt directly by the local

Governments. If it be hereafter possible to increase the grant for public works ordinary, to whom will the increase be allotted? Why, to the local Governments. If it be found practicable to pay more and more interest on loans for public works extraordinary, in what territories will these works be executed? Why, in the territories under the local Governments.

The Council will perceive that the total amount of allotments for provincial services, as just defined, for all the local Governments together, is set down in the expenditure side of the budget for the coming year at £4,799,300, or 4¾ millions, which amount I shall explain further presently. Meanwhile I may observe that the total sum allotted for provincial services is thus distributed :—

| | Receipts surrendered. | Assigned from Imperial Funds. | TOTAL. |
|---|---|---|---|
| | £ | £ | £ |
| India ... ... | 9,800 | 26,700 | 36,500 |
| Oudh ... ... | 14,700 | 211,300 | 226,000 |
| Central Provinces ... | 24,000 | 269,600 | 293,600 |
| Burmah .. ... | 28,600 | 276,500 | 305,100 |
| Bengal ... ... | 264,800 | 1,197,900 | 1,462,700 |
| North-Western Provinces | 110,000 | 635,000 | 745,000 |
| Punjab ... ... | 67,400 | 528,800 | 596,200 |
| Madras ... ... | 81,800 | 752,300 | 834,100 |
| Bombay ... ... | 55,300 | 901,200 | 956,500 |
| TOTAL ... | 656,400 | 4,799,300 | 5,455,700 |

The item opposite to "India" in the above list is for the Calcutta University and for provincial services (not including public works) in Coorg, Ajmír, and other districts of which the administration is immediately under the Supreme Government. The figures differ somewhat from those appended to the resolution of the 14th

BUDGET ESTIMATE, 1871-72.

December, owing to the more complete transfer of the charge for Medical Services than was then proposed; to the inclusion in provincial services of the expenditure for petty construction and repairs in all departments excepting opium and salt; to the promised additions to the grants in respect to the more stringent system of official postage; and to certain minor corrections of the figures.

The Statement which I have given just now presents the total allotment to each local Government for all the services specified. Within this limit each local Government may (subject to the general conditions under which the additional control is confided to it) distribute the amount among the several services, making transfers, if necessary, from one to the other.

These allotments have been fixed on the basis of the budget grants for 1870-71 (after the deduction of the £331,038 rateably distributed). The objections which might be urged in detail against this mode of fixing the allotments have not indeed been overlooked. But, certainly, any other method that could be devised would have stirred up controversies and difficulties which might never be determined, and which would have caused an indefinite postponement of the whole measure.

If it were urged, too, that the grants for 1870-71, having been very economically fixed, afford too low a standard for future allotments, we should reply that these grants were really as much as we could possibly afford, and that we are not likely to be able to afford more for some time to come.

In addition to these allotments, the local Governments will have the special assignment of £200,000, already explained, to begin with.

I have stated that the regulation of the expenditure in these branches is to be confided to the local Governments, subject to certain general conditions. The effect of those conditions is briefly this, that, without the previous consent of the Government of India, no new appointment above a salary of Rs. 250 per mensem is to be created, nor old salaries raised beyond that amount; that no class or grade of officers is to be created or abolished, and the pay of no class or grade of offices is to be raised; that no addition or alteration is to be made, as regards pay and allowances, in the provincial departments of any province which might lead to inconvenience in the imperial departments or in other provinces.

The principle of these conditions is that, whatever be the degree of control conceded to the local Governments as regards amount of expenditure and strength of establishments and the like, the regulation of salaries, of rates of pay, even the lowest, of allowances and pecuniary privileges, must remain with the Supreme Government. Strictness in this respect is essential. Connected by the interchange of information as the several provinces of India necessarily are, whatever affects the interests of the public servants and establishments in one province, becomes known in all the others. If anything be conceded in one place, applications for similar concessions are sure to be made from other places in a manner difficult to be resisted. If pay be raised in one department, expectations of similar augmentation are apt to be created in other departments. This consideration becomes of special moment when certain departments hitherto imperial become local, while other departments continue imperial. Not indeed that uniformity of pay and allowances is necessary for all departments and all

BUDGET ESTIMATE, 1871-72.

establishments alike: nor even that such uniformity is essential for the same department, for instance police or education, all over India. There may, indeed must, be variations in the several parts of India as regards system and organization; there will also be differences in prices, in values, and in such like matters; and these circumstances will lead to differences in rates of remuneration; all which the Government of India has always acknowledged and allowed for. Still the check of the Central Government is indispensable to prevent these differences from becoming excessive and leading to financial embarrassment. It is clear then that in making these concessions to the local Governments, we have not parted with any of those powers which are needed for the preservation of financial order throughout India.

I have stated that we have made over to the local Governments the receipts arising in these particular departments. These consist, in the jail department, of the proceeds of prison manufactures and the like; in the police department, of payments by municipalities and railway companies, sale of old stores, and so on; in education, of school fees, sale of books, &c.; and in registration, of the fee proceeds. These several receipts which have been previously included in our imperial sheet are excluded from the budget I now present, and transferred to the category of local funds: they will hereafter be accounted for in the provincial statements. The aggregate is indeed considerable, and amounts to nearly $\frac{2}{3}$rds of a million. They are, however, in their nature local, and are analogous to the funds which have been always held local, and excluded from the imperial account. They are essentially different from the imperial heads of revenue and receipt. When they are assigned to

the local Governments, there is no deviation from the principles which have always governed our finances, to the effect that all heads of state revenue are held as imperial. No attempt has been made to assign to those Governments any branch of the revenues, as that would be a matter attended with difficulties into which I need not now enter. It was intended that an abstract of the estimates of the local Governments on account of provincial services should be presented to the Council with the imperial figures. This will be done in future; but it has been found possible to prepare it this year.

Before quitting this topic, however, I would venture to repeat what I stated before this Council in the budget debate of last year, namely, that too much must not, at the outset, be expected from the local Governments in consequence of any measure of this kind. After all, those Governments will have no golden road open to them which is not already open to them in a considerable degree at least. To secure financial benefit, either they must reduce expenditure or improve existing receipts, or impose new taxation. Now, as regards reduction of expenditure and improvement of existing receipts, they doubtless do already make constant efforts in both these directions. It remains to be seen whether they can put forth more efforts. As regards new taxation, they may do more in that way, but great caution will have to be exercised.

How the several local Governments will deal with their respective shares in the retrenchment of £331,038 from the grants of 1871-72, and how they will provide whatever additional sums may be required for the

BUDGET ESTIMATE, 1871-72

finance of the services now entrusted to them, is more than I can say at present. It is, however, clear that they have to some extent already made up, or are making up, their quotas of the retrenchment by savings and reductions of expenditure,—a method, in my opinion, the most satisfactory of all. It would be premature to state the precise amount of such savings; but, on the figures now before me, I make out, as already said, that the said savings will probably amount in 1870-71 to £200,000, and there seems no reason why the expenditure for 1870-71 should not at least suffice for 1871-72. There will, however, be some fresh local taxation, more or less, in many parts of the country. In the Madras Presidency, as the Council knows, bills for municipal and local taxation were, a few days ago, unanimously passed by the local legislature. In the Bombay Presidency the matter is still under consideration. In Bengal proper, the final decision of the Government of India, approved, after full discussion, by the Secretary of State, has been communicated to the Lieutenant Governor, to the effect that land and other property are to be rated for the support of roads and education. The local Government is still in communication with the Government of India as to the best way of carrying out this decision. In the North-West Provinces, the Punjab, and Oudh, the local Governments have matured plans for provincial imposts, and bills to carry out these plans will be immediately submitted to this Council.

The Government of India has certainly borne in mind, and we believe that the local Governments also remember, the necessity of caution and moderation in the levy of provincial taxes. We have been, and are, most

averse to the imposition of any new taxation that can be avoided. It was this consideration that induced us to lower the retrenchment to £331,038. Our demand at first stood much higher; we reduced it in order that the burdens of the people might be abated, and that the local Governments might be spared the necessity of imposing any but the lightest, and most manifestly equitable, provincial taxes.

BUDGET ESTIMATE, 1871-72.

I now proceed to the figures of the budget for 1871-72.

The receipts are taken at £49,098,900, or 49 millions, as compared with the 51 millions of the year just about to close. The amounts taken for the main heads of receipt, namely, land revenue, excise, customs, salt, stamps, closely follow the regular estimate for the current year. A moderate improvement is anticipated under land revenue, salt, and stamps. Considering the favorable out-turn of the customs for the current year, which is quite as much as, or even more than, we could have expected, we have not ventured to estimate a further increase for the coming year.

As regards the state of the foreign trade of India, generally, I stated in my last exposition that 1869-70 (speaking on returns for eight months) would prove to be a year of retrogression after several years of satisfactory progression. The result has shown a decrease of 5 per cent. in value as compared with the preceding year. This reduction is, however, mainly due to a reduction in the tariff valuation, so that on the whole the real decrease was but slight. The total value of the trade is taken at 100½ millions sterling. For the current year 1870-71 there may be some improvement. The condition of the principal import, *viz.*, piece goods, has been already noticed. Among the exports, jute (fibre) continues to

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flourish, the yield of the last crop having been abundant. Last year there were 3,361,852 or 3⅓ millions of cwts. exported; in the current year the export will be greater. The cotton export of 1869-70 amounted to 1⅓ million of bales, (equal to 555 millions of lbs.), being less than that of the preceding year. There seems likely to be as yet a further falling off this year, 1870-71, of this staple in quantity, though not in value. We bear in mind the consequences, so important to India, likely to arise from the revived and increased production of the article in the United States of America. In 1869-70 there were 12¾ millions of lbs. of tea exported from India; this year the quantity will be somewhat less. Last year there were 36 millions of lbs. of coffee exported; this year the quantity will be greater. Last year 98,000 cwts. of indigo were exported; this year the quantity will be about the same. There are now eight months' returns in the current year available. Judging from them, we are led to anticipate that the foreign trade of the country will rise to more than 100 millions sterling in value. As regards goods, indeed there is a clear increase both in exports and imports; but there is a marked falling off in treasure. Last year 14 millions sterling of treasure were imported. This year only 4 millions were imported in the first eight months.

We have not overlooked a subject adverted to in my last exposition, namely, the remission of the export duty on Indian and Burmese rice. But, considering that there has been, all through the current year, an improvement in this branch of trade, and an increase in the yield of the duties, we are not prepared, under present financial circumstances, to propose any change.

The opium estimate is taken at a little more than the amount which we are receiving for the

current year, or just over 8 millions gross. The current year has indeed, as already seen, been in this respect prosperous beyond expectation. We hope that the circumstances of the time warrant us in anticipating a fair amount of prosperity for the coming year. The advices from China are favorable on the whole. The prices in both the Indian and Chinese markets are, despite fluctuations, fairly satisfactory. For Bengal, we are not able yet to announce the exact number of chests that we expect to sell, but we have 41,042 chests actually secure in our warehouses. The precise number of chests which we shall sell in 1871-72, in addition to the above stock, depends upon the number of chests which we may resolve to offer for sale in the calendar year 1872, which again depends upon the out-turn of the crop now about to be gathered. At the last moment, I regret to say that the weather in the opium-growing districts of the Bengal Presidency is reported to have been of late somewhat unfavorable to the ripening crop. The area under cultivation this year is, however, larger than that cultivated last year, and we entertain hopes that the produce may at any rate not be less than last year's crop (54,072 chests provision opium). For the chests that we may sell in 1871-72, we have assumed an average price of Rs. 1,075, or £107-10*s.* per chest. The average price per chest in 1870-71 has been Rs. 1,120-8 (£112-1*s.*) per chest. The latest sale has produced Rs. 1,169 (£116-18*s.*) per chest. On this very important point, the estimate seems to be prudent, and leaves a margin for fluctuations not now foreseen. For Malwa the duty being fixed (Rs. 600 a chest), the real point for forecast is the number of chests likely to be exported. The number in 1869-70 was 39,371 chests; that in 1870-71 will be probably 38,742 chests. We have estimated for 1871-72 as many as will bring

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the total number of chests (Bengal and Malwa) to 90,000,—no doubt a full number, quite up to the average of recent years. But the prospects of the present crop in Malwa are reported to us by telegraph to be up to yesterday excellent; we are selling this year a much larger provision of Bengal opium than we sold last year; and if the quantity be taken at a full estimate, still the price assumed for Bengal is apparently a moderate one. As a whole, the estimate will, I hope, be considered moderate.

The increase (£113,900) in the forests estimate allows for increased consumption of timber in the construction of the State Railways, partly counterbalanced by increase of expenditure (£65,100) on the other side of the statement.

The increase (£19,400) in telegraph arises from improved receipts on the Indo-European line *viâ* Persia and Russia, which has been working with marked efficiency throughout the year. The recent increase in the tariff of both this and the sub-marine line is to be regretted, but I fear that it will be found to have been absolutely necessary to render the continuance of the two alternative lines (so desirable for securing our communications) financially possible. At present the Indo-European line appears to be outstripping its rival in the Red Sea.

The low estimate of mint receipts is owing to the state of exchanges, which may, we fear, not recover sufficiently for much bullion to be presented for coinage. Our mints are unfortunately at present in a condition of enforced inaction.

A diminution is shown in the estimate for miscellaneous receipts, because we do not expect any such arrear adjustments as those whereby this item is swollen in the current year.

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The items of decrease under the heads of law and justice, police, and education arise from the transfer of the receipts of jails, registration, police, and education to local funds in the manner I have already described to-day. All the items transferred amount to a total of £656,400.

The Post Office shows a decrease of £29,500, the receipts this year having been unduly swollen owing to some misunderstanding by the civil departments of the Post Office rules. The receipts might have been, by this time, greater perhaps than they are, had it not been for the concession to the public of carrying half a tola in weight, instead of a quarter tola, for half an anna postage. The change, however, has not caused any actual loss of revenue. This result is, of course, owing to increased number of letters. Two years ago I stated the number of covers of all kinds annually received by the Post Office in India at 70 millions. It has now grown to nearly 85 millions.

In respect to the telegraph receipts, I may observe that the reduced rate of one rupee for a message of ten words to any part of India has worked so far successfully as to cause an increase already of more than 50 per cent. in private telegrams; but it has not yet caused such an expansion of telegraphic communication as to bring about a financial success. The total number of messages despatched in India by the Government Telegraph and by the Railway Telegraph for the public does not exceed 700,000 annually, a number which is very small for so large a country as this.

The head of assessed taxes I shall reserve for separate notice hereafter. The Council will perceive that it shows a decrease of £1,475,000.

It will hence be apparent that the budget estimate of receipts compares favorably with the regular estimate of the current year. If the receipts now transferred

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to the local Governments had remained as before, and if the assessed taxes had been retained at the same rate, then the total for the year, instead of being £49,098,900, would have been £51,230,300, or 51¼ millions,—as high a figure as has ever been presented. The diminution then in the present total does not indicate any diminution whatever in our real resources.

I now come to the ordinary expenditure of the year. This is estimated at £19,005,500, or just 19 millions, showing a reduction of £1,046,300, or one million below the estimated expenditure of the current year. This result is, *primâ facie*, satisfactory. There are several important points in the figures, however, which I must briefly notice. Before doing so, I will clear off some of the lesser points.

In the first place, it will be observed that there are various small increases under headings relating to the collection of the revenue, namely, land revenue (£120,500), forests (£65,100), excise (£21,400), salt (£46,200), opium (£37,900), which do not arise from any permanent accession to establishments or such like expenditure, but from temporary measures leading directly to a pecuniary return, as, in land revenue, for re-assessments; in forests, for bringing additional timber to market; in salt, for expenses at the Sambhur Lake; in opium, for extension of cultivation; and so on.

We do indeed always accede to well considered applications for grants for re-assessment of the land revenue, an operation which generally, though not always, leads to increase of income. Our notice has been attracted to the apparently slow progress, despite considerable outlay, in the re-assessment of the land revenue in the Punjab, a delay which seems prejudicial to the fiscal interests. This is a matter peculiarly within the province of the local Government; the point however has our attention.

The increase (£95,200) shown under stamps and stationery is due to the exhibition of the charge for stationery for the first time under this head. The increase of £74,200 under administration is chiefly owing to the transfer of the charge for the printing establishments of the Supreme Government to this head. It is not thought expedient to maintain a separate head of stationery and printing for this item and for the cost of stationery alone. Provision has also been made for the contemplated Department in the Government of India for revenue, agriculture, and commerce, the creation of which is not expected to add ultimately more than £2,000 to the cost of the establishments of the Supreme Government.

The decrease shown under the heads of law and justice (£535,300), of police (£2,269,500), of education (£606,200), of medical services (£334,800), of printing (£284,100), of public works ordinary (£1,575,600) arises from the charges for these services being in whole or in part transferred, under the arrangement I have to-day described, from these several heads to the new head of allotments for provincial services, which head appears for the first time in our statement. The services of police and education having been transferred wholly, disappear from our statement. The heading of stationery and printing also disappears; printing becoming henceforward almost wholly a provincial service, and stationery being transferred, as above explained, to stamps. The headings of law and justice, of medical services, and of public works have been only partially transferred. The decrease shown under law and justice relates only to jails and registration; that under medical services to those establishments pertaining to civil stations, to dispensaries, and to sanitation, which are immediately under

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the local Governments; and that under public works to roads other than military, and civil buildings, with their due proportion of establishments.

The decrease under miscellaneous is due chiefly to our being able, in consideration of peace happily restored in Europe within the last few days, to estimate for a rather more favorable rate of exchange than we have had to meet this year. The rate we have taken is 1*s.* 10$\frac{3}{4}$*d.* for the rupee, giving, upon a supply of 9 millions sterling, a nominal loss of £494,500.

We have not found it convenient to arrange for proceeding with the general census of India at present.

The increase of £76,200 for interest relates to the loan provisions for the two years, which I shall notice separately hereafter.

The new head of allotments for provincial services (£4,799,300) comprises the imperial assignments made, upon the basis of the grants of 1870-71, to the several local Governments in India for jails, registration, police, education, medical services, printing, roads and civil buildings, and their connected establishments, less the amount of provincial receipts under these heads, which receipts have been surrendered to the local Governments.

The expenditure for the army is set down at £15,984,000, showing a decrease of £316,000. Of this decrease, £270,000 occurs in India and £75,500 in England; in fact it for the most part occurs in India, and mainly for this reason, that no outstanding amounts such as have had to be charged in the current year for the overland transports are expected in the coming year.

In my last financial exposition I stated what had been done regarding military reductions. I added that our recommendations for reductions in the artillery and the Native army were under the consideration of Her

Majesty's Government in England. During the current year, progress has been made with both these important questions, which necessarily involve doubtful or controversial points. After discussion we have submitted our final proposals. We now estimate a saving of nearly £70,000 by a reduction of five batteries of horse artillery and three garrison batteries. But in this as in other cases the reductions are so managed as to cause no diminution in effective strength of European soldiers. Under all the circumstances, we have felt justified, moreover, in estimating a reduction of £100,000 in the expenditure on the Native army for the coming year. On the other hand we have been obliged to allow increases for camps of exercise, for military instruction, and for the manufacture of ammunition. On the whole, the amount estimated in India for 1871-72, namely, £12,410,000, is the lowest amount that has been taken for any year since the war of the mutinies.

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Though the military charges in England do not show a further increase in the coming year, their growth of late years has not escaped our notice. It has occurred under the heads of overland transports, of furlough allowances, and of stores. The increase in furlough allowances in England, arising from officers drawing furlough pay more than heretofore in England instead of in India, is mainly apparent, being counterbalanced by decrease in India. The increase in stores is for the new breech-loading arms, and is so far not to be regretted, the importance of the arms being too manifest to require explanation. The only item which causes anxiety is the overland transport service, which, however advantageous, does seem likely to cause a permanent augmentation to our expenditure. Attention is being given to the matter. I may add that the important head of retired allowances does not at present show any increase. Whether it is, or is not, likely to increase in future, is a

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question on which we have submitted our views to Her Majesty's Government in England.

The expenditure proposed for public works ordinary amounts to £2,365,000, or 2⅓ millions. In my last financial statement I explained the reasons why the grant for this branch, once so large, had been reduced to 4 millions. It is now nominally brought down to 2⅓ millions by the transfer of 1½ million to provincial services, as already explained to-day. There have been also some further retrenchments from the grants. For the laying out of the 1½ million annually, the several local Governments will in future answer. The 2⅓ millions now remaining under the general control of the Government of India consist of—

| | £ |
|---|---|
| Military ... ... ... ... | 1,012,500 |
| Civil Buildings ... ... ... | 150,700 |
| Roads and Communications ... | 115,900 |
| Miscellaneous Public Improvements | 25,600 |
| Agricultural ... ... ... | 454,900 |
| Establishment and Tools and Plant | 605,400 |
| TOTAL ... | 2,365,000 |

These important grants manifestly stand very low,—lower indeed than they have been for years past, and almost as low as can reasonably be expected. The grant for military buildings includes the completion of those new double-storied barracks which had been commenced. In my statement made in March 1869, I went, at some length, into the subject of these barracks. Since then the execution of the scheme has been somewhat delayed from several reasons. It was found that in some places the existing accommodation for the troops was sufficiently good to allow of the new buildings being postponed at a time of financial exigency. There are plans for placing an increased proportion of the troops at hill stations, to some slight extent reducing the need of accommodation

in the plains. In some respects, too, there arose doubts as to the suitableness of the designs of the new structures. The expenditure therefore on new barracks has been comparatively small (£401,558) during the current year, and will be only £436,533 during the coming year. I need hardly add, however, that the important subject of providing the best obtainable accommodation for the European troops is one which has our constant attention.

The item of establishment, already reduced, may perhaps alone admit of further reduction.

I gather that it has been supposed by some that public works expenditure has been maintained unduly high of late. But the Council can judge whether any such supposition could be supported by these figures. Surely no one will be found to say that the 1½ million allotted to the local Governments is too much. And as regards the 2⅓ millions remaining under the Government of India, surely no one can justly say that the amount is not moderate, considering the several services and the various provinces in which those services occur.

The net amount which the country will have to pay to the Railway Companies on account of guaranteed interest is set down for the coming year at £1,856,900, or upwards of 1¾ million; about the same amount as that which is being paid during the current year. These amounts are no doubt formidable and are the heaviest ever yet presented in our statements. The steady accretion year by year of these payments does indeed afford matter for reflection. The main cause is the growth of our gross guaranteed interest. On the one hand, this gross amount grows yearly in England; last year, 1869-70, for instance, it was £4,176,008; next year it will amount to £4,638,600, an increment of nearly half a million within two years. On the 31st March last the total capital outlay stood at 83½ millions (£83,444,147)

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out of a total capital subscribed of 86½ millions (£86,522,491); on the 31st December it stood at 86½ (86,525,000), the total amount subscribed being 89½ millions (£89,460,000). We have now nearly 5,000 miles of guaranteed railways open, besides 1,000 miles sanctioned or under construction. On the other hand, the set-off in India, namely, that of the net traffic receipts, does not grow at a corresponding rate; just now indeed it is hardly growing at all. Last year it amounted to £2,628,944; this year we seem likely to receive only £2,530,700, and next year we expect £2,781,700. It seems to be not so much that the working expenses are unreasonable after allowing for new lengths of line opened—though no doubt there is room for economy;—it is rather that the traffic, especially the goods traffic, has not of late been so flourishing as we might have hoped, considering the increased length of open lines. Last year the gross traffic earnings amounted to £6,204,943; this year they amount to £6,551,700. For next year they are set down at seven millions (£7,006,000). In my exposition of 1869 I put down the quantity of goods carried at three millions of tons annually and the number of passenger journeys at 16 millions. At the present time the annual tonnage may be set down at 3½ millions and the passenger journeys at 17½ millions; showing no considerable increase of late, and leaving an immense way for our traffic to make up before it will bear any favorable comparison either with the size and population of India itself, or with the results obtained from railway communication in other countries.

Nor has any great progress been made of late by the guaranteed lines towards providing for the 5 per cent. interest on capital, and towards discharging the debt due by them to the State. According

to the figures of the regular estimate, the East Indian Railway is paying, upon the capital actually expended to the 31st December 1870, 4·8 per cent. per annum, the Eastern Bengal 3·1, the Great Indian Peninsula 2·7, the Bombay, Baroda, and Central India 2·4, the Madras Railway 2·2, the Great Southern of India 1·4, and the Jubbulpore extension only 1·2 per cent. The railways in India as a whole are thus, at present, paying less than 3 per cent. During the last five years the increase of earnings, whether gross or net, has been in the Bengal Presidency rather than in the Madras and Bombay Presidencies. The East Indian Railway and the Eastern Bengal line alone show any large increase. The other lines have remained comparatively stationary in this respect during this period.

So long as the construction of additional lengths of railway is going on, the capital accounts, as a whole, necessarily increase, and with them the gross guaranteed interest charge. For a reduction in the net charge on this account we must look to increased traffic receipts; but, as just explained, these have not of late kept pace with the growth of the gross charge. It is the more essential, therefore, that as the several undertakings are completed, or approach completion,—and many of them are now in this state,—the further expansion of the capital accounts should be strictly watched and controlled. Strenuous endeavours have been made in this direction for long past, and orders have issued quite recently for the making up of the capital accounts of the several Companies. Rules have also been prescribed for a closer review of the objects for which capital outlay shall in future be incurred on open lines, and a money limit has been fixed within which all outlay on individual works shall be charged to revenue. A provision like this will, it may be hoped, result in the neces-

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sity of every work being jealously scrutinized by each party to the contract, and the constant accretion of the capital accounts by the frequent admission of small items of charge will thus be checked.

During the year by special arrangements made by the Secretary of State with three of the guaranteed railways (Great Indian Peninsula, Bombay and Baroda, and Madras), their debt to the State has been cancelled, and the right of the State to purchase the lines at the first optional period waived, on the condition that the Government shall, during the remainder of the terms of the contracts, receive half of any net traffic earnings in excess of 5 per cent. The East Indian Railway did not assent to this arrangement, and the offer will not, I believe, be repeated to them or extended to the other lines.

I must here ask leave, in reference to public works generally, to bear testimony (in which testimony your Lordship and this Council will doubtless concur) to the very valuable co-operation afforded to the financial administration by Colonel Richard Strachey, the Secretary in the Public Works Department, and now a member of this Legislative Council. Of late years the reduction of expenditure has been greater in the Public Works Department than in any other. However much this reduction is to be regretted, it certainly has been financially necessary; and I cannot testify too strongly to the able and the judicious efforts made by Colonel Strachey in this direction, without which efforts these important financial results would have been impossible.

It may be interesting to note the result of the English expenditure (ordinary) shown separately in one of the accompanying statements. In the regular estimate for 1870-71 it is set down at £8,302,900, and in the budget for 1871-72 at £8,124,800, showing a de-

crease of £178,100, and this notwithstanding an unavoidable increase of £80,200 of interest on money to be borrowed. Thus, although there have been increases during 1870-71, which I have for the most part explained to-day, there is no further increase in the budget for 1871-72. BUDGET ESTIMATE, 1871-72.

Before leaving the subject of ordinary expenditure, for the reduction of which we have striven so hard, I shall quote a passage from a despatch received by us from the Secretary of State in August last, which runs thus:—

"Upon a consideration, generally, of your estimates of income and expenditure, I am satisfied that you have laboured earnestly to effect every reduction which can be carried into effect without impairing the efficiency of the several departments of Government."

So much, then, for the various items of ordinary expenditure.

Besides the ordinary expenditure as above explained, there is proposed an expenditure for public works extraordinary of £3,626,000, or upwards of 3½ millions, to be provided for from borrowed funds, bringing up the total expenditure, ordinary and extraordinary, to £52,631,500, or 52⅔ millions. Whether the full amount of 3½ millions will be really laid out during the coming year, is more than I can say, considering that it has never yet been found possible in any year to spend the amount proposed for these works. The works in question are irrigation projects in the Punjab, North-Western Provinces, Oudh, Behar, and Orissa, and State Railways in the Punjab and Rajpootana. The careful enquiry needed for these difficult irrigation projects, and the necessity of providing for adequate returns in water-rent, may account for much delay in breaking ground. The gauge question having been at length settled, we may hope to soon see a vigorous commencement with the

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State Railway works, some of which are urgently needed to cheapen the supply of salt for the people.

The new gauge determined after much consideration by the Government of India is that of 3 feet 3 inches, or 1 metre, which is narrow as compared with the existing gauge in India of 5 feet 6 inches. I cannot here enter into this moot question. I shall only observe that the adoption of the comparatively narrow gauge will, in our belief, cause a large saving both in original outlay and in subsequent working charges. The importance of this consideration will be manifest from the facts I have mentioned to-day, regarding the growth of net interest charges for the existing railways. Doubtless the further extension of the railway system in the continent and peninsula of India is most desirable. But unless the work can be done more cheaply or made more profitable than heretofore, the country cannot afford to pay for such extension. That is the plain fact which renders economy in construction and management of railways so important as to weigh heavily even against considerations of efficiency.

Such, then, are the figures for 1871-72. On a comparison of income with ordinary expenditure, the result is an equilibrium, supported by a small surplus of £93,400,—a margin which is indeed almost too low for the requirements of the public service.

I must now ask the Council to revert to the item of assessed taxes on the receipt side of the budget for 1871-72. This is set down at £600,000, which, as compared with the £2,075,000 of the current year 1870-71, shows a reduction in this taxation of £1,475,000. This is obtained by lowering the rate of assessment from 6 pies in the rupee, or $3\frac{1}{8}$ per cent., to 2 pies in the rupee, or a fraction over 1 per cent., and by raising the minimum income liable to assessment from 500 rupees to 750 rupees;

in other words, by exempting incomes below 750 rupees. The one per cent. income tax which we retain is manifestly indispensable, inasmuch as without it we should have to produce a budget with a deficit, which is an alternative not to be adopted so long as any legitimate or reasonable resource may remain to us.

Still it may be remembered that we now propose to reduce the income tax to the lowest rate at which it has ever been levied in India, and indeed the lowest at which it could be levied, if retained at all. The proposed rate is equivalent to $2\frac{1}{2}d.$ in the pound. The rate of the income tax of 1860 was 4 per cent., or $9\frac{1}{2}d.$ in the pound; subsequently reduced to 2 per cent., or $4\frac{3}{4}d.$ in the pound; the rate for the income tax of 1869-70 was, on the whole year, $1\frac{1}{2}$ per cent., or $3\frac{1}{2}d.$ in the pound; that for 1871 was $3\frac{1}{8}$, or $7\frac{1}{2}d.$ in the pound.

It is indeed a source of satisfaction to us to find ourselves able to provide for the requirements of the year with so low a rate of income tax, and to afford so considerable a measure of relief to the tax-paying classes of all degrees in British India.

More particularly are we gratified at being able to exempt all incomes below Rs. 750; the effect of this will be to altogether relieve about 240,000 persons heretofore taxed. The total number assessed to the existing income tax is about 480,000; under the now proposed tax the number will be reduced to about 240,000, which really forms a very small proportion (1 in 625, or say 1 in 120 heads of families), out of a population of 150 millions. It was in respect to the small incomes below Rs. 750 that complaints of over-assessment or exaction, or other vexation, have mainly arisen. We have been impressed by the statements made regarding the pressure of the tax, and its concomitants, upon these small incomes; troubles which, we fear, in such a country as India are

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practically difficult of remedy, though of course no effort has been spared for prevention or for cure. While the rate remained low as in 1867-68 and 1868-69, these complaints were not perceptible at all, or were much less rife; and no doubt this year the inherent difficulties of the case were aggravated by the increased rate. Whether they would, or would not, be essentially mitigated by reduction of the rate, may be a question. At all events, by the exemption of the lowest class of incomes altogether, we hope that some at least of the most salient points of objection will be effectually removed, and that the sacrifice of revenue caused by the exemption (some £150,000 at one per cent.) will not be found considerable.

It may be borne in mind that in 1860, and subsequent years, the tax reached down to incomes of Rs. 200; subsequently it was remitted on incomes below Rs. 500. The license tax of 1867 reached down to incomes of Rs. 200. The certificate tax of 1868 reached only to incomes of Rs. 500. These were both virtually rough income taxes. The 500 rupees limit was observed in the income taxes of 1869-70 and 1870-71. Thus it is clear that from time to time the policy has been to extend the exemption more and more among the poorer of the classes liable to assessment. And now we propose a further exemption beyond which it is difficult to go, if the tax be retained at all.

I have, therefore, to propose on behalf of the Government of India an income tax of two pies in the rupee, or a fraction above one per cent., and to request leave to introduce a bill into this Council for that purpose. The bill, if it shall pass into law, will replace the existing Income Tax Act, which expires on the 31st of this month (March). We have endeavoured in the bill to amend such of the provisions of the present law as have appeared to operate with occasional harsh-

ness, or to cause particular dissatisfaction. We do not propose to enact it for any particular period or to fix any limit of duration.

From this explanation of the revenue and charges of the year, I pass on to the provision of ways and means and to the cash balance account.

We expected to commence the current year 1870-71 with a cash balance of 13½ millions (£13,644,859) and to close it with a balance of 10½ millions (£10,569,443). On closing the account, however, finally for the previous year, we found an actual cash balance at the commencement of the current year of nearly 14 millions, (£13,940,451), which improvement was due to the actual account of the previous year turning out more favorable than the regular estimate. We expect that the current year after its close will leave us a cash balance of 16 millions, or £16,012,051, being 5½ millions (£5,442,608) better than the first estimate (£10,569,443). Throughout the year, the cash balances all over India have been very high, higher than they have been for some eight years past. (Their lowest point was 10¾ millions in October.) This circumstance is to some extent satisfactory, and calculated to raise confidence in our finance. Still there are special, perhaps adventitious, reasons why we stand so well in this respect, and even so much better than we expected at the time of my last exposition. These reasons are, firstly, that the opening balance of the year was actually higher than the estimate by £295,592; secondly, that we have spent 1¼ million on public works extraordinary instead of 3 millions, as I have already explained to-day; thirdly, that we have paid in India altogether ½ a million less on Secretary of State's bills than we expected; fourthly, that the amount of capital advanced to the railway companies for the

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construction of the lines has been less by nearly 1½ million (£1,404,200) than was expected; fifthly, that owing to unexpected accession of opium revenue, the ordinary finance of the year has been bettered by a million, as I have also explained to-day. These reasons, with some few changes in the remittance heads, fully account for the improved condition of the cash balances and for the difference between the original and the present estimate.

As might be expected under all these circumstances, our public credit, as proved by the prices of Government stocks, has, on the whole, been higher during the current year than it has ever stood before. Our four per cent. stocks in India have commanded prices of 96, 97, and even 98, for every hundred rupees. In England the Secretary of State's four per cent. sterling paper has been sold at a small premium. In my last statement I noticed the gradual decline in the value of our 5 and 5½ per cent. stocks by reason of the limited period for which our loans at those rates of interest have currency. The decline has continued during the current year for the same reason. That our stocks bearing the higher rates of interest should decline in value, while those bearing the lower rates are rising, is manifestly a most satisfactory circumstance. It may be interesting to mention here that the amount of our rupee debt (that is, the securities of the Government of India enfaced for payment of interest in England by bills upon India) held at home, grew during the year from £15,839,832 to £17,797,622, or by nearly two millions sterling. This is no doubt due to the adverse rates of exchange.

I have now to advert to the loan arrangements for 1871-72. There will, as might be expected, be

some borrowing, inasmuch as I have already stated that 3½ millions are proposed to be spent on public works extraordinary during the coming year.

In my last statement I explained that at the commencement of the current year we had in hand 1½ million due by the loan department to the public works according to the account as then made up. The Secretary of State then intended to raise, by the end of 1870-71, two millions more; he has actually raised 3½. As the Council knows, we have raised nothing in India, save a quarter of a million lent by Maharaja Holkar for a state railway in His Highness' territories. These several sums make up 5¼ millions. Against this we have expended in the year (as already seen) 1¼ million on public works extraordinary, which, deducted from the 5¼, leaves 4 millions in hand, for which the loan department has to account to the public works department. To that balance, however, there is a set-off of £1,105,247 advances to municipalities and the like, to which I shall immediately refer. The actual estimated balance in hand on this account at the end of 1870-71 is about 2½ millions (£2,591,438). Moreover, although our own transactions will result in the reduction of our debt by a small amount (£139,800), the Secretary of State has intimated his intention of borrowing 2½ millions during the coming year, repaying only £5,000, so that we shall add to our debt during the year altogether £2,355,200. This amount, added to the balance just shown, provides more than enough for the 3½ millions of proposed extraordinary expenditure. There is, therefore, neither need nor justification for the raising of any loan in India at present.

It is from these loan funds that we have been able to advance various sums to municipalities for reproductive works on good security for payment of the in-

BUDGET ESTIMATE, 1871-72.

terest and repayment of the principal. The amount of advances of this nature made or brought to account since the beginning of 1869-70 is net £1,105,247. It is, of course, practically impossible for municipalities to effect any large improvements without raising funds by borrowing. If they must borrow, it is far better that they should borrow from the Treasury rather than in the open market, for the plain reason that the Treasury can afford to lend on more favorable terms, and also because our financial control over these transactions is thereby promoted. Legal doubts, however, arose as to the competency of municipalities to contract obligations of this description. Therefore a law has been introduced into this Council to enable them to do this, and to render valid the proceedings they may take towards this end under proper sanction. These remarks are irrespective of the debentures issued by certain municipalities, such as that of Calcutta, under a special law.

If extensive disbursements shall hereafter be made under the law before this Council for facilitating advances of money by Government for permanent works of agricultural improvement, the money will be disbursed from the loan funds also.

I must here draw attention to the fast-growing interest on account of these borrowings. In 1869-70 this system was fairly begun; since then $7\frac{1}{2}$ millions (£7,479,099) have been borrowed and $2\frac{1}{3}$ more (£2,355,700) are now to be borrowed, in all 10 millions (£9,974,099); of which $3\frac{3}{4}$ millions (£3,782,411) have been spent on public works extraordinary, and $3\frac{1}{2}$ (£3,626,000) are now set down to be expended; in all $7\frac{1}{2}$ (£7,408,411) millions; besides which a million (£1,105,247) has been advanced as I have above shown. The annual interest on the total sum thus borrowed

amounts to more than £450,000 annually; on the total sum expended, or to be immediately expended, it amounts to £350,000. It is hoped that the yearly increase of the item now separately shown as irrigation income will prove more and more a set-off; and that when the state railways shall be opened, there will be a further set-off in that direction. The more complete exhibition of all the income derived by the state from its canal works has occupied, and is still occupying, the attention of the Government of India, and some important points of legislation connected therewith have been brought under the consideration of this Council.

The entire registered debt of India (exclusive of £6,299,700, East India Stock, for the redemption of which a guarantee fund is accumulating under the provisions of Cap. 85, III and IV William IVth) is expected to amount at the end of 1871-72 to £106$\frac{3}{4}$ millions (£106,853,400), of which £67,089,500 will have been borrowed in India and £39,765,700 in England. The interest estimated to be paid in 1871-72, exclusive of the dividends on the East India Stock, is £4,742,000, being 4·44, or less than 4$\frac{1}{2}$ per cent. upon the whole registered debt.

We duly bear in mind the amounts of the loans bearing interest at 5 per cent., repayable during the coming year. But I cannot yet state the intentions of the Government of India in regard thereto.

After the loan provisions which I have just explained, it remains to see how the cash balances will stand for the coming year 1871-72. In my last exposition before this Council, I described the improvements made in the form of the estimate of the cash balances. It will be remembered that this great account comprises a variety of important items besides the regular income

BUDGET ESTIMATE, 1871-72.

and expenditure of the Government, inasmuch as the Indian exchequer performs a vast amount of business in addition to the receiving of the Government revenues and the disbursing of the Government expenses. The general nature of this business I have described in previous expositions.

I will first set forth the result of the figures on both sides of the account in India, exclusive of England.

The receipt side then is as follows.

Commencing the year with an estimated cash balance, as already seen, of 16 millions, and a Government income of 49 millions, we expect, besides, $6\frac{1}{2}$ millions of railway traffic receipts, $17\frac{3}{4}$ millions of advances recovered and deposits repayable, including local funds; and $1\frac{1}{2}$ million on the remittance or suspense account between England and India; making with some other smaller items and transfer entries in all $91\frac{3}{4}$ millions (£91,871,051). On the payment side, besides the ordinary expenditure of 39 millions and the extraordinary of $3\frac{1}{2}$ millions, we have $3\frac{1}{2}$ millions railway working expenses, $18\frac{1}{3}$ millions of advances recoverable and deposits repaid, 9 millions to be paid on bills of exchange drawn in England by the Secretary of State; and $1\frac{3}{4}$ million to be disbursed for construction of railways in India by the guaranteed Companies, making, with some transfer and account entries, a total of £76,749,800, or $76\frac{3}{4}$ millions. This total deducted from the $91\frac{3}{4}$ millions shown on the receipt side leaves us an estimated cash balance of 15 millions (£15,121,251) on the 31st March 1872, being the close of the coming year 1871-72.

There is also the cash account kept by the Secretary of State in London on account of India. For the coming year 1871-72 the receipt side is in this wise. The

opening cash balances will be 2 millions; the amount received on bills of exchange drawn on India will be 9 millions; there will be $4\frac{3}{4}$ millions of railway capital subscribed, and there will be $2\frac{1}{2}$ millions borrowed. These, with some smaller items, make up a total of $18\frac{1}{2}$ millions. On the payment side there will be a regular expenditure, ordinary and extraordinary, in England on account of India, of 13 millions (£13,114,300); there will be $1\frac{1}{5}$ million paid on the remittance account, and there will be 2 millions withdrawals of railway capital. These items deducted from the $18\frac{1}{5}$ millions on the receipt side leave a closing balance of $2\frac{1}{5}$ millions.

BUDGET ESTIMATE, 1871-72.

The aggregate of estimated receipts and payments in India and England for the year, as I have shown above, stands at $110\frac{1}{4}$ millions (£110,295,334) on each side of the account. I have not attempted to do more than give a sketch of this really vast account, the complete development of which would weary the Council. But even this outline will convey some idea of the dimensions to which the transactions of the Indian exchequer have grown.

I have said that in the deposit receipts are included the local funds, the expenditure from those funds being shown in deposit payments. A new and interesting character will now attach to these funds. They have heretofore, as the Council knows, included the road fund, ferry fund, pound fund, educational cesses, police cesses, profits of prison labour, hospital funds, port and harbour funds, municipal octroi fees under special Acts, and so on. To these there are now added the £656,400 already described to-day, being the receipts of the departments of jails, registration, education, and police, transferred from the imperial sheet. The total thus made up for 1871-72 amounts to £4,028,473, or 4

BUDGET ESTIMATE, 1871 72

millions for all India. There will also be added the proceeds of the new local taxes that may be imposed by the local Governments; so the heading will shortly show an augmentation, and may probably grow year by year. Each local Government will in future exhibit a sheet of its income and its expenditure under this head; and in this statement there will be combined the income and expenditure under the new allotments for provincial services described to-day, amounting to $4\frac{3}{4}$ millions; so that the local budgets under the new measure will deal with an aggregate income of nearly 9 millions to start with.

Before finally quitting the finances of the year, I must ask leave to notice certain remarks which have been made, and indeed reiterated, regarding the accounts of the Home treasury of the Government of India which are kept in England. It has been said that the expenditure in England on account of India is incurred without sufficient reference to the authorities in India, and that the detailed accounts of it are not made known in India. Now, I showed in my last exposition that by far the greatest part of that expenditure is really incurred either under rules proposed by the Government of India, or upon requisitions made by the Government of India. So far we ourselves must accept a very large share of the responsibility. There are some exceptions to this; but they are not considerable. So much for the expenditure. No doubt the accounts of that expenditure are kept under the direct orders of the Secretary of State for India. But they are rendered to us, month by month, with the greatest regularity and the fullest detail. We again publish the account annually with all its details in the *Gazette of India*, and have usually done so for years past; the

publication taking place in the summer. In short, the information before the public in India regarding the expenditure in England is as full as that regarding any portion of the public expenditure whatever.

I may add one word about the Indian accounts. The entire approximate actual accounts for the year 1869-70, ending 31st March 1870, were published on the 3rd September 1870; that is, in five months after the completion of the year. The regular estimate for the year 1870-71 is produced to-day early in the eleventh month of the year, comprising more than ten months' actual figures for all the revenues and for all the civil expenditure, and nine months for the remainder. Now, considering that we have to deal with accounts from eight local Governments, from twelve imperial departments, and 225 treasuries—all scattered at great distances—I think that these facts show a high degree of promptitude and discipline in the Account Department throughout British India.

After this exposition of the prospects of 1871-72 it remains to notice very briefly several measures which have been adopted in connexion with finance.

In my statements made in March 1869 and April 1870, when noticing the success of the three presidency savings banks, I stated that measures were being devised for the ramification of these institutions throughout the interior of the country. During the current year, these measures, after long discussion, were introduced in the several divisions of the Bengal Presidency. The number of new banks already opened is 49; the total deposits on the latest dates for which we have returns amount to Rs. 1,20,693, or £12,069; and the number of depositors is 925. The deposits will doubtless increase from time to time, the present result

BUDGET ESTIMATE, 1871-72.

being only a commencement. This is of course in addition to the Presidency Savings Bank at Calcutta, which now has £291,640 of deposits and 7,464 depositors. We have not yet opened district savings banks under that name in the Madras and Bombay Presidencies, but practically they do exist in every district under those Governments, as the Government Savings Banks in both Presidencies extend their benefits to all depositors without the restriction which was placed upon such institutions in Bengal, where Government servants only were permitted to open deposit accounts. The Government Savings Banks in the Presidencies of Madras and Bombay are very freely resorted to. The present number of depositors in the Madras banks is 7,189, and in those of Bombay 15,679; the aggregate amount deposited in the Madras banks is £187,727, and in the Bombay banks £441,137. But the figures in both Presidencies are believed to include the deposits of the native army. The system in these Presidencies may perhaps eventually be assimilated to that now introduced in the rest of India. The total of deposits in the savings banks of all kinds in the three Presidencies now stands at £932,573, and the number of depositors amounts to 31,257. This is exclusive of regimental savings banks in Bengal, the deposits in which amount to £76,000. These figures show an increase of nearly 40 per cent. since I first drew the attention of this Council to the subject two years ago. That the increase may be progressive year by year is much to be wished.

In my last statement I adverted to the measure then before this Council for increasing the proportion of the paper currency reserve to be invested in Government securities, and for raising the limit from four millions to six; adding that the operation, if authorized by law,

would in practice be kept cautiously tentative. The bill has since passed into law, but we have not yet, under the circumstances of the currency, seen fit to avail ourselves of the power which has been taken. We rather prefer for the present to keep our specie reserve large and full, in order that we may have the means of facilitating the encashment of the notes, of whatever circle, at all the principal treasuries throughout the country. Arrangements of this kind appear even more than ever desirable, since we have (within the current year) obtained power by law from this Council to issue notes of five rupees, a lower denomination than has ever yet been tried in India. I have so recently explained in detail to this Council the arguments in favor of the five-rupee note; the conditions under which the offices of the interior circles of India are to cash notes of all other circles; the arrangements for cashing notes at the ordinary treasuries in the districts in the interior; and the general state of our paper circulation and our reserves,—that I need not advert further to the subject now, beyond stating that the average weekly circulation of 1869-70 has proved to have exceeded 10½ millions (£10,630,473), a slight increase over any previous year; that the circulation of the current year does not promise to be equally favorable, the estimated average circulation appearing not likely to exceed 10 millions; and that the reserve consists of 6¾ millions (£6,846,106) in specie, and 3¼ millions (£3,227,200) in Government securities; the specie reserve being manifestly strong.

The money order system in India is successfully making good its ground. During the past year 1869-70, orders were issued to the amount of 116 lakhs of rupees, or a little above a million sterling. It is matter of regret that we have not yet been able to establish a

BUDGET ESTIMATE, 1871-72.

similar system between India and England, but difficulties arising out of the fluctuations of exchange have hitherto prevented this. We still hope that these difficulties may be overcome.

I am still unable to report any marked result from the notification of November 1868, whereby it was announced that the sovereign would be taken at the Government treasuries as an equivalent for ten rupees and four annas instead of ten rupees as before. The value of a sovereign having exceeded Rs. 10-4 throughout the year, no sovereigns have been received at the General Treasury, and scarcely any by the Currency Department. The importation of gold into India during the year 1870-71 is expected to amount to only between 2 and 3 millions against £5,690,400 of the preceding year. Gold has been tendered by the public at our mints for coinage into Indian gold pieces to the value of only £4,775. These operations have been of course much affected by the state of the exchanges so greatly militating against the presentation of bullion for coinage. During the year we have, after much unavoidable delay, obtained from England the requisite mechanical appliances for coining gold pieces of ten and five rupees (in addition to the fifteen-rupee pieces previously coined) under the existing law. A few of these smaller pieces have been coined by the Government, and may be considered to represent the Indian sovereign and half sovereign. I hope that this measure may help to pave the way for the future introduction of a gold currency into India.

Such, then, is the exposition which I have this day to offer. The main points have been—

that for 1869-70, instead of an anticipated deficit of £625,594, there has been an actual surplus of £118,668;

BUDGET ESTIMATE, 1871-72.

that for 1870-71 the surplus estimated in the budget at £163,440 is now estimated at £997,100, or 1 million;

that this surplus is really due to an unlooked for accession of opium revenue;

that without this accession of opium revenue there would have been little more than an equilibrium between income and ordinary expenditure;

that for 1871-72 there is estimated a small surplus of income over ordinary expenditure of £93,400;

that this estimate is arrived at after a large abatement. of the income tax: the lowest incomes assessable, namely, those between Rs. 750 and 500, being exempted altogether, and the rates for all classes being lowered from $3\frac{1}{8}$ to a fraction above 1 per cent.;

that this change in the income tax causes a reduction of $1\frac{1}{2}$ million of direct taxation;

that the exemption of incomes between 750 and 500 rupees reduces the total number of persons assessed, 480,000, by fully one-half, and releases 240,000 taxpayers;

that the ordinary expenditure for the coming year shows a decrease of one million of expenditure as compared with the current year;

that, subject to certain conditions, an increased financial control has been entrusted to the several local Governments in respect of jails, registration, police, education, medical services, printing, roads other than military, and civil buildings;

that the grants by the general treasury for these services have been reduced by £331,038, and that a fixed limit is imposed on the imperial expenditure on these departments;

that for these provincial services throughout India, allotments have been made of $4\frac{3}{4}$ millions distributed among the various local Governments;

BUDGET ESTIMATE, 1871-72.

that apart from the allotments made to the local Governments under these provincial services for roads and buildings, the ordinary public works grant in India has been brought down to $2\frac{1}{3}$ millions;

that $3\frac{1}{2}$ millions have been raised by loan in England since my last statement was made, while only a little above one million has been expended on public works extraordinary;

that $3\frac{1}{2}$ millions are proposed to be spent on public works extraordinary during the coming year 1871-72; $2\frac{1}{3}$ millions being provided for by loan;

CONCLUSION.

that owing to the improvements in the account of the income and ordinary expenditure of Government, and the temporary diminution of expenditure on public works extraordinary and on construction of the guaranteed railways, the cash balances in India are very high, and that no loan is proposed in this country;

that during the current year various measures relating to finance have been carried out, such as the coinage of ten-rupee and five-rupee gold pieces; the legalization of a five-rupee note in the paper currency; the introduction of district savings banks in the interior of the country.

I must now conclude my exposition. If it be found (as I fear it will) meagre and imperfect in many respects, still I hope the Council will remember that my subject is really too varied and extensive to be fully treated in all its particulars within the limits of the patience of my hearers. At all events, within these necessary limits, I have striven to compress as many facts and considerations as possible.

In 1869 I spoke of flourishing revenue and growing commerce. In 1870 the burden of my story was diminished income and depressed trade. In 1871, however, I have now once more to tell of national pros-

perity, of abundant harvests, of rising income, of falling expenditure, of improved public credit. In two successive expositions (1869 and 1870) I have had to lament the existence of deficit. But on this occasion, in my third exposition, the picture is at last relieved by the prospect of surplus. The Council knows what strenuous exertions have been made to obtain equilibrium and even surplus. Those efforts seem at this moment likely to be attended with even more success than we at first ventured to hope for. CONCLUSION.

In 1869 I affirmed that the Government of India had aimed at a financial policy to be at once safe, sound, and just. Since then, two years of trial and labour have passed; and I affirm once more that the same principles have been strictly observed, notwithstanding that the observance caused much trouble and difficulty.

We have maintained a strict distinction as to what expenditure shall, and what shall not, be considered extraordinary to be provided for by loan. All expenditure, however beneficial, not yielding a direct pecuniary return has been classed as ordinary expenditure. We have resolved that, so far as may be possible, the whole of the ordinary expenditure of each year shall be defrayed from the revenues of that year. We have jealously guarded against everything that might tend to shift the burden of these just charges from the present to the future. We have steadily refrained from providing by loan for any branch of ordinary expenditure or for any public work not yielding a direct pecuniary return. We have even refused to entertain proposals for temporary or terminable loans for such purposes. In preference to any such course, the alternative of enhancing the existing taxation has been adopted. But that taxation has been so adjusted as to fall rather on the richer than the

Conclusion. poorer classes of this country. Though the revenue has been augmented, yet no fresh burden whatever has been imposed on any branch of trade or of industry; no new imperial tax has been introduced; no fiscal innovation has been applied to British India generally. In so far as any fresh tax may be needed in any part of India, the disposition has been to rely on local rather than imperial arrangements.

Retrenchments in both the civil and the military branches of expenditure in India have been made. To afford further relief, the expenditure on ordinary public works has been cut down by more than one-third. Strict economy in details has been enforced by the Government of India and by the local Governments. The better enforcement of economy was one of the reasons for investing the local Governments with increased financial control in several departments. That measure also has been commenced by a further reduction of one-third of a million of expenditure.

On the other hand, liberality has been shown in the provision by loan for public works of an extraordinary and reproductive character. But this operation has been so far guarded financially, in that the interest on the borrowed capital is charged against ordinary revenues.

Though carefully weighing all that can be urged against any part of this policy, we have not been, and are not, persuaded, by any consideration whatever, to depart or deviate from it as a whole. We are still prepared to persevere, and to make any effort that can fairly and reasonably be made to act up to these principles; though we are glad to be enabled by improved circumstances to propose for the coming year a relaxation of some of the stringent measures which, to our regret, had become indispensably necessary for the current year.

Only copy in the whole office

6TH APRIL 1872.

COUNCIL OF THE GOVERNOR GENERAL OF INDIA,

ASSEMBLED AT CALCUTTA,

FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS.

# FINANCIAL STATEMENT,

# 1872-73.

BY THE HON'BLE SIR RICHARD TEMPLE, K.C.S.I.

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CALCUTTA:
OFFICE OF SUPERINTENDENT OF GOVERNMENT PRINTING.
1872.

# FINANCIAL STATEMENT

BY

THE HON'BLE SIR RICHARD TEMPLE, K. C. S. I.

6TH APRIL 1872.

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MY LORD,

I have to present the budget of British India for the year 1872-3. PREFACE.

In the midst of the preparation of this statement, we were arrested by a most lamentable event which deprived the Indian Government of its head. The changes consequent on the death of the Earl of Mayo have delayed the completion of the budget, and interrupted the consideration of some financial questions connected with it. Therefore, the exposition now to be made, though complete, we trust, in respect to facts, cannot be so complete in respect of policy, as it might have been. My Lord, as it is impossible to avoid alluding here to that most grave occurrence, I feel bound on this occasion to bear witness to the serious loss which the Financial department (in common with all other departments) has sustained by the death of Lord Mayo. This Council, and indeed all persons interested in Indian finance, well know how sound and just were his opinions on financial subjects. But those who were in almost daily communication with him, regarding the administration of the exchequer, the work of the treasury department, the gathering in of receipts, the regula-

 tion of expenses,—must necessarily know best how firm he was in the enforcement of economy, how strict he was in adherence to rule, how anxious he was that the State resources should be reserved, either for indispensable or for beneficent purposes, how consistent he was in the vindication of financial considerations, how generous he was in the support of those engaged in the conduct of affairs.

Your Lordship and the Council, then, will doubtless bear in mind the particular disadvantage under which this statement is made to-day.

Before proceeding further, I desire to make certain remarks supplementary to the statement delivered by me here on the 9th of March last year.

The Council may recollect that, on that occasion, I showed for the year 1869-70, an actual surplus of £118,668, observing that this result was owing, partly to management and partly to fortune. From observations since made in England, it would seem to have been supposed that this result arose from crediting to the income of the year, various extraordinary receipts which ought not to have appeared there at all, and without which there would have been a deficit. From the tenor of some of these observations, indeed, it would further seem to be supposed that I had omitted, in my exposition, to bring this fact into prominent relief. I certainly stated the finance to be in surplus, and so it was. It was necessary to make this statement; and none other could have been made. At the same time, however, those credits, so far from being unnoticed, were prominently noticed, while the debits on the other side were also mentioned. This was in 1870. So clear, indeed, were the points made, that some public

ABSTRACT

*Of the Financial Statement for Electric Telegraph and Press.*

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Sir Richard Temple produced Indian Budget at Calcutta on April 6th.

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|---|---|---|
| Actuals, 1870-71— | | |
| Receipts ... ... | £51,413,685 | |
| Ordinary expenditure ... | £49,930,695 | |
| Surplus ... ... | £1,482,990 | or 1½ millions. |
| Extraordinary expenditure, Public Works, provided for by loan ... | £1,167,810 | |
| Regular Estimate, 1871-72— | | |
| Receipts ... ... | £49,976,500 | |
| Ordinary expenditure ... | £47,276,500 | |
| Surplus ... ... | £2,700,000 | or 2¾ millions. |
| Extraordinary expenditure on public works... | £1,736,800 | |
| Budget Estimate, 1872-73— | | |
| Receipts ... ... | £48,771,000 | |
| Ordinary expenditure ... | £48,534,000 | |
| Surplus ... ... | £237,000 | or one quarter of a million. |
| Extraordinary expenditure on public works... | £2,615,000 | |

Income-tax proposed for 1872-73 at one per cent., with exemption of incomes below one thousand rupees per annum.

No other fiscal changes.

No loan for public works either in England or India, as loan funds in hand sufficient for works in progress.

Estimated cash balance in Indian Treasury on 31st March 1872, twenty-one and a half millions; anticipated cash balance on 31st March 1873, seventeen and a half millions.

attention was attracted to them; and this caused me to revert to the matter in 1871, and to draw attention once more to those large credits. 

By the existing system of finance and accounts, all receipts of whatsoever nature, whether ordinary or extraordinary, whether regular receipts, or casual receipts commonly called "windfalls," or other, must appear in the income of the year, and cannot be excluded therefrom, in order to be embodied in any other account. I am not, indeed, prepared to say that the system can be altered in this respect. But, whenever such extraordinary credits occur, they should be clearly set forth, so that the financial position may not be allowed to seem better than it is; and they should not be permitted to affect the provision of ways and means, or to mitigate taxation, or to stay reduction of expenses. We should so arrange that the current finance may not derive any undue benefit from them. Now this is just what has occurred in regard to these credits of late years. They were not entered in the budget of 1869-70, for the reason that they were not expected to accrue within that year. Thus they did not affect the provision of ways and means. It was quite irrespectively of anything of this kind, that we imposed the income tax and raised the salt duties. It was also irrespectively of this, that we enforced various reductions of expenditure, civil and military. If the expectation of these credits had influenced our judgment, and induced us to waive the increase of taxation, or defer the reduction of expenditure, then the effect would have been bad. But the very contrary occurred, and the bad effect was avoided.

I proceed to deal with my subject in what are its well-established divisions, firstly, the "actuals,"

PREFACE. or figures of the last year (1870-71) for which the accounts are closed; secondly, the "regular estimate," or latest figures of the year 1871-72, just completed, for which the accounts are not yet closed; thirdly, the "budget," or the estimated figures for the year just commencing, 1872-73; fourthly, the ways and means and the cash balances.

ACTUALS, 1870-71. I begin then with the actual figures of the year 1870-71. In my last exposition, the surplus of income over ordinary expenditure for that year was shown to be estimated at just one million, or £997,100. The actual result now proves to be a surplus of 1½ million, or £1,482,990, being an improvement of just half a million, or £485,890; the total income being £51,413,685, or nearly 51½ millions, the largest ever yet attained in British India, and the ordinary expenditure being £49,930,695, or close on 50 millions. This improvement in the surplus arises chiefly from increased receipts in India, but partly also from short expenditure in England. The expenditure in India turned out, on the whole, to be about the same as the estimate. The details will be found in the figured statements, and time will not permit me to explain them all here. But, in general terms, there were comparatively small increases under most heads of revenue, showing that the regular estimate had been cautiously made; and the net effect of the relatively slight variations on the expenditure side, items of increase being on the whole balanced by those of decrease, showed that the expenses of the State had been kept fairly well in hand.

The year 1870-71, then, ended thus: by the budget estimate there was anticipated an equilibrium between income and ordinary expenditure with a small surplus of less

than £200,000; the actual result has been a surplus of 1½ millions. Certainly this satisfactory surplus has been secured not at all before it was wanted, as a partial set-off against the deficits of previous years. And we must remember that of the million and a half, full one million, or two-thirds of the surplus, arose from unlooked-for increase in our opium receipts—a resource on which we could not reckon beforehand, and on which we should have had no right to rely. Without this, there would have been a very moderate surplus, not largely in excess of that which had been originally estimated. I may, therefore, reiterate what was explained in my last exposition, namely, that the actual surplus cannot be justly held to invalidate the policy of those special measures of direct taxation which were resorted to in that year.

ACTUALS, 1870-71.

In addition to the above, there was an extraordinary expenditure on reproductive public works of £1,167,810 or more than one million from loan funds.

We thus arrive at the second part of the subject, namely, the regular estimate for the year 1871-72. This estimate is based on the actual figures of eleven months for most, and twelve months for a few, of the main heads of income; of eleven months for most branches of civil expenditure and of nine months for the army and public works department. Still the remaining accounts yet to come in, and the inevitable adjusting entries in the last month of the year, are so important, that, despite all precautions, many possible variations between this estimate and the future actuals must be looked for.

REGULAR ESTIMATE, 1871-72.

The result, however, so far as yet known, is in this wise. The budget estimate for the current year showed an equilibrium between income and ordinary expenditure with a small surplus of £93,400. The regular estimate, however, shows an income of £49,976,500, or 50

REGULAR ESTIMATE, 1871-72.

millions, with an ordinary expenditure of £47,276,500, or 47¼ millions, leaving a surplus of £2,700,000, or 2¾ millions. The income is not quite so high as the income of the last two years; but the ordinary expenditure appears remarkably low as compared with the figures of previous years, and is the lowest that has been shown since 1866-67.

It will be very satisfactory if this anticipation shall be realized.

In this year, however, as in the preceding year, the main cause of the surplus arises from the opium receipts. Early in the spring of 1871 a very injurious blight befell the poppy crop of Behar, by reason (as appeared on enquiry) of unseasonable rains soon after seed time, and of unpropitious changes in the weather near harvest time. Hence there was, immediately, an anticipation of a short yield, which anticipation was but too fully borne out by the event, for the damage turned out ultimately to be a loss of 14,743 chests, or 26 per cent. on the expected out-turn. Consequently, the prices of Bengal opium rose, and continued to range at high rates. Thus the fiscal receipts became much enhanced. Under ordinary circumstances, it might be supposed that such enhancement would be counterbalanced by short supply. If, on the one hand, we received more than was expected for the quantity disposed of, we should, on the other hand, have less quantity to offer for disposal. But, in reality, such was not the case under the circumstances necessarily produced by the existing system. While the high prices were ruling, we were disposing of full quantities drawn from the yield of the previous year. The short harvest did not affect the supplies of the period immediately following. Con-

| | Chests. |
|---|---|
| Final Estimate | ... 55,724 |
| Out-turn | ... 40,981 |
| Deficiency | ... 14,743 |

sequently the revenue, for a time, gained the full advantage from enhanced price on a full supply. REGULAR ESTIMATE, 1871-72.

Besides this temporary advantage relating to the Bengal opium, the same causes appear slightly to have stimulated the exportation of Malwa opium from Bombay. The export of this opium which pays a fixed duty per chest has somewhat exceeded the estimate.

Again, these circumstances operated on the immediate financial out-turn in another way, which was this. The estimated outlay for Bengal opium on the part of Government had been framed on the supposition that there would be an average yield, and, consequently, an average payment to the cultivators for their produce. But, as the produce fell short, so the payments decreased. Hence, there was a large saving on the expenditure side.

On the receipt side there is under this item 1¼ million, or £1,214,900 more than the budget; and on the expenditure side nearly half a million, or £491,600 less than the budget. The real improvement on the receipt side is even larger than appears on the face of the accounts, for, owing to a change of system introduced during the year, the cost price of opium retailed for consumption in India has been removed from the head of Opium on the receipt side and from that of Excise on the charge side. The sum of £138,600 was the estimated receipt on this account, and this sum must be added to the increase shown in the accounts, in order that the total real improvement may be understood.

Thus the total actual gain under opium as compared with the original estimate of the year amounts to more than 1¾ millions, or £1,845,100.

The prices of Bengal opium, which stood at Rs. 1,163 per chest at the beginning of the year, that is, in April, rose gradually till they reached Rs. 1,569 per chest in

REGULAR ESTIMATE, 1871-72.

November. Then they fell to Rs. 1,625 per chest in December, since which time they have remained steady on the whole, though with occasional fluctuations and indications of a tendency to decline. The average price per chest obtained for the 49,695 chests sold during the whole year has thus been Rs. 1,388, instead of Rs. 1,075 as estimated. After the fluctuations which the prices have experienced, it were vain to predict their continuance at any such rates; especially as they probably depend on the vicissitudes of season not only in India, but also in China. If there should be, simultaneously, propitious seasons in both countries, a fall in prices is to be feared. At all events, we should be on our guard against a fall in prices, which are now ranging higher than the average of recent years.

By this great gain on opium, then, we account for nearly three-fourths of the surplus (£2,606,600) over the original estimate, in other words, for that part of the surplus which is abnormal or exceptional.

But there still remains more than one-fourth, represented by £761,500, to be otherwise accounted for, which is of a more normal and regular character. This portion of the surplus does not at all arise from increase of receipts other than opium, for, on the contrary, there is some decrease in those receipts. It really arises from large savings in expenditure, as will be presently seen. The reductions on the side of charges amount to £1,098,800 with a set-off of £337,300 loss of receipts—bringing out the net sum of £761,500 above shown.

I must, first, explain the decrease of revenue, which occurs, under various heads, as follows.

Under land revenue there is a falling off of £142,700, which occurs, in Oudh owing to floods, in Bombay, owing to large remissions necessitated by drought

in the southern Mahratta country, and in Bengal owing to the sale of Government estates being stopped.

Under forest there is a decrease of £146,800, partly balanced by a saving in the expenditure of £116,100.

The salt revenue shows a falling off of £193,800, which is distributed through all the provinces and must cause some anxiety.

The decreases under post office, telegraph, law and justice, and marine are all largely exceeded by savings shown on the other side of the account. The decrease of £25,200 under public works ordinary is owing to the transfer of receipts to provincial funds. The falling off of £25,700 in canal rents, notwithstanding the heavy expenditure of capital on these works, is not satisfactory.

On the other hand, there are some increases, namely, £25,900 under tributes, due to a succession having occurred in the Nábha State; £224,600 under assessed taxes (Income Tax), the arrears from the preceding year having proved larger than was expected; and £64,300 under army receipts, sale of stores, and the like.

So much for the receipt side. On the expenditure side there are reductions as follow.

There is decrease of £33,600 under interest on service funds and other accounts—attributable to transactions with the several civil funds; of £90,100 in land revenue establishments, arising chiefly in the allowances payable to village officers in the Bombay Presidency; of £12,800 under assessed taxes; of £8,500 under customs; of £103,300 under post office, partly due to economy in India, but chiefly relating to the payments in England of the subsidy for the overland postal service; of £48,400 under telegraph; of £13,700 under minor departments; of £129,800 under law and justice, owing to

REGULAR ESTIMATE 1871 72

general economy, but partly relating to the process serving establishment in the Madras Presidency; of £170,900 under marine, relating partly to provision of stores in England, and partly to slack work in the Bombay dockyard; of £8,100 in the ecclesiastical department, owing to vacancies remaining unfilled; of £108,400 in the miscellaneous branch, owing to improvement in exchange. The decrease in excise of £159,500 is largely nominal, as already explained with reference to the opium figures, and the decrease under stamps and stationery of £150,900 is partly owing to the transfer of stationery to the heading of administration, which accordingly shows an increase of £82,200.

I am obliged to be brief in respect of these items, indicating only those circumstances which are special. But in general terms, it may be said that these reductions are largely (though not wholly) derived from real savings of various sorts all over the country, apparently small if reckoned singly, but making up a considerable aggregate when taken collectively.

In respect of the army, it will be observed that the charges are not expected to increase beyond the amount set down in the budget, but that on the contrary there is to be a saving of £240,100. That increase should be avoided, is a circumstance creditable to the military authorities and indicative of saving and economy. For the estimates are burdened with two items not originally contemplated. A saving of £100,000 in the native army was reckoned upon,—which calculation was considered justifiable in the then condition of our correspondence on the subject with Her Majesty's Government. To our regret, however, we have not been able to secure that saving. Again, since the framing of the budget, it has been found necessary, as is well known,

to undertake military operations against the Lushais and other wild tribes on the eastern frontier. The cost of that expedition will entail an additional charge of £200,000 during the year. REGULAR ESTIMATE 1871 72

It may therefore be asked how, notwithstanding these items of increase, the total result has not been unfavorably affected, but is turning out more favorable than the first estimate? Well, the reason is that there have been considerable savings, estimated at £480,000, or nearly half a million sterling. There is hardly time now to specify the items of which this large economy is composed. But I may state briefly the chief of them. In the first place there is a total reduction of £198,000, in various items, namely, the cost of provisioning European troops, the compensation payable to native troops for dearness of grain, the cost of feeding army remounts and commissariat cattle, the compensation for dearness of forage. Again, there have been lesser, though still appreciable, reductions in the purchase of livestock, of rum, of remounts, of camp equipage; in the charges for sea transport by the Cape and for overland transit, in medical supplies, in barrack establishments and supplies, and in miscellaneous charges, by abolition of various appointments, or by vacancies left unfilled in the medical branch, in the military account department, in the commissariat establishments—together with other reductions. On the whole, I think we may congratulate our colleague at the head of the War Department (General Norman) on the satisfactory condition of the military estimates.

As some of the remarks made on this subject in my exposition before this Council of March 1871 have been followed by public discussion elsewhere, I am obliged to revert to that for a

REGULAR ESTIMATE, 1871-72.

moment. The Council may recollect that commenting on the estimate of military expenditure *in India* for 1871-72, I remarked that the amount was the lowest that had been taken any year since the war of the mutinies. From the comments evoked by this remark, it would almost seem to be supposed that the total military expenditure (both in India itself and in England on account of India) had been reduced; that the reduction itself was made to look larger than it was; that the fact was ignored of the expenditure not having decreased in proportion to the reduction in the strength of the army in India. But if any such suppositions have been entertained by any one, they are quite incorrect.

It has never been represented in this place that the *total* expenditure (in India itself and in England on account of India) has been reduced. The figured statements laid year by year on this table have shown the contrary. And in my exposition of March 1869, it was not only declared that, in the aggregate, the expenditure has increased despite reduction of force, but it was shown, in some detail, how this had come about. On that occasion, a brief *resumé* was given of the inevitable circumstances which have enhanced the expenditure of late years—circumstances arising from the rise of prices, from organization approved of by the Government in India and in England, from regulations applicable to India in common with all parts of the British empire, from improved armaments, from increased demands arising out of changes of system.

These points having been already stated on a former occasion, I did not, last year, trouble the Council with a re-statement. It was indeed stated, in March 1871, that

the expenditure in India was at the lowest point reached since the war of the mutinies, and thereby allusion was made not to any insignificant amount, but to a difference in our favour of £443,636, or nearly half a million. And this, by itself, is fact of relevance and of consequence, inasmuch as the charges in India do, in the main, represent the effective charges of the army less stores and transport charges, which are incurred in England. And this had arisen partly from efforts and sacrifices made by the Government of India. But in stating this, nothing was further from our intention than to intimate that no further reductions of expense could be judiciously made.

Regular Estimate, 1871-72.

The decrease in railways, £101,300, is owing to short expenditure of capital. Less land has accordingly been taken up, and there is less loss by exchange. The head of guaranteed interest which was at one time during the year the source of some anxiety ends with a small improvement of £35,500.

It will be observed that there is an increased charge of £101,400 for interest on the debt. This is due to large arrears of unclaimed interest having been paid during the year, partly in reference to the discharge of the 5 per cent. loan.

In the item of provincial services there will be found an increase of £51,800; this has arisen from additional or supplementary grants made during the year to several local Governments, to cover fresh services transferred to provincial administration, or for other reasons in special cases. Ordinarily, the allotment for these services ought not, under present arrangements, to increase, unless the services them-

REGULAR ESTIMATE, 1871-72.

selves be increased; in fact the comparative fixity of the grants for services which would otherwise be growing constantly,—is one of the financial merits of the scheme. But during this, the first, year after the introduction of the measure, it has been necessary to make a few special and limited concessions in order to adjust claims relating to antecedent transactions. As one instance out of several, I may mention the allotment made for the construction of the Small Cause court-house at Calcutta, whereby the annual rent defrayable by the Government of India has been capitalized and discharged by payment of an equitably calculated sum.

It might be premature to pronounce on the general merits of the scheme in practice after only one year's experience; but, from a financial point of view, it appears to be working well. There has been, of course, the avoidance of that friction which is inseparable from a central control over expenditure in matters specially local. There is some abridgment of labour. There has been either absence of complaint, or else expression of satisfaction, on the part of the local authorities. Here and there it may be that charges have been allowed under the new, which would have been refused under the old, system. But, on the whole, the local Governments seem to have been stimulated in the study of economy by the new and additional interest which they are enabled to feel in their financial affairs. And, further, this is evidenced by the fact that some of these Governments have husbanded the sums at their credit, and, keeping their expenses within the limits of their grants, have begun to accumulate funds for future use.

In previous expositions I have noticed the clearance effected in some parts of the accounts by the adjustment

Regular Estimate, 1871-72.

of long standing and unsettled items both on the credit and the debit sides. Having regard to the complexity and variety of the affairs in hand, we cannot say that no such adjustments will recur: but, as a fact, none have occurred during the year and none are immediately anticipated. One only, of any consequence, is looked for at present, and that relates to the capital of the civil service annuity funds recently abolished.

To return to the figures then; the sum of my explanation is this—that besides the surplus of £1,845,100 from opium there is a surplus of £765,100 due to other causes. This latter amount (£761,500) is owing to large reductions in the expenditure. The budget estimate showed an equilibrium supported by a small surplus of £93,400. The regular estimate shows a surplus of $2\frac{3}{4}$ millions (£2,700,000). Of the excess (£2,606,600) over the original estimate more than $1\frac{3}{4}$ million is due to opium, under abnormal circumstances. But there remains three quarters of a million arising under normal circumstances of finance. Disclaiming any credit for the opium surplus, we may, perhaps, in some degree, claim credit for the remainder of the surplus, as tending to show that the original estimates were cautiously made, and that economy has been so enforced that the various departments have worked within the estimates of expenditure.

It will be prudent to defer commenting on the consequences which may hence accrue to the position of our finance, until it shall be possible to compare this important estimate with the actual figures after closing the account. Whatever surplus shall ultimately be found to have accrued, will be, indeed, needed to compensate for deficit of former years. And, if the result now brought out shall be sustained and confirmed, its importance will be manifest—especially if considered together

REGULAR ESTIMATE, 1871-72.

with the secured surplus of the year 1870-71. There would, then, be occasion for observing how far the deficit of previous years had been counterbalanced by surplus of succeeding years. Our hope is that, on the combined result of a series of years, there will be a sufficiently even balance between the incomings and outgoings of the treasury; or, in other words, that, one year taken with another, we shall have received as much as we have disbursed for ordinary expenditure, irrespective of the extraordinary account. This is a primary object of our financial management, and we shall, with unremitting effort, strive to place the attainment of the object beyond question or dispute.

The surplus arising from comparison between income and ordinary expenditure, is irrespective of the extraordinary expenditure on reproductive public works, which is provided for by loan funds. An expenditure on this account of £3,626,000 was contemplated in the budget estimate; the regular estimate, however, shows only £1,736,800 so spent. This latter sum has been chiefly expended on the great canal works, in the Cis-Sutlej States, from the river Sutlej; in the Agra division, from the river Jumna, below Delhi; in Behar, from the river Sone; in Orissa, from the river Mahanadi; in the delta of the Godavery, for extension of the irrigation system there. There has, also, been some expenditure on important projects, in Oudh from the river Sarda; in Rohilkhand, from the river Ganges (called the Eastern Ganges Canal); in the lower Doab, also from the Ganges: these canals being in addition to the well known Ganges Canal.

In respect to the State railways, there has been expenditure on the lines between Lahore and Peshawar; between Delhi and Rewaree; between Agra and Ajmír;

also on the project for the lines between Multan and Kotrí in Sindh; between Nimar and Indor in Central India and between Dharwar and Karwar in the south Mahratta country. REGULAR ESTIMATE, 1871-72.

That the estimated amount has not been more fully spent, is due chiefly to prolongation of the time allowed for the elaboration of the canal projects, and partly to the unavoidable delay in determining the narrow gauge for the State railways in India.

According to the form prescribed for the financial statement, the sum of £1,736,800, added to the £47,276,500 of ordinary expenditure, make up a total of £49,013,300, or 49 millions.

I now arrive at the third part of the subject, namely, the budget estimate for 1872-73. BUDGET ESTIMATE, 1872-73.

Commencing on the receipt side, we find 21 millions (£20,900,000) under the head of land revenue, the calculation in this instance being based, for the most part, on the estimates by the local governments. The amount exceeds that of previous years, and (if adjustments and transfers be for the moment put out of question) is the largest sum of land revenue ever yet presented. The realization of this large estimate must, however, partly depend on the ensuing rainy season.

Under forests there is an increase of £154,400, against which must be set an increase on the charge side of £110,000. The department is at present largely engaged in furnishing sleepers for the State railways. Its receipts, indeed, for the most part represent the value of work done for the service of the State. The cash receipts from private persons and from the general public are not, as yet, considerable. The financial result is therefore unimportant; and there is no profit in the strictest and narrowest sense of the term. Such being

BUDGET ESTIMATE, 1872-73

the case, there is every reason for enforcing severe economy in the expenditure of a department which is not, ordinarily, and directly, remunerative. On the other hand, the expenses (on the whole increasing from time to time) do, really, subserve the national object of husbanding and preserving that wealth of forests wherewith nature has endowed many parts of India—a wealth which would, otherwise, be wastefully and destructively expended, even up to the limit of exhaustion and extinction. In this view, our forest expenditure may be regarded as indirectly remunerative.

In excise, there is a nominal decrease of £125,700, as the cost price of opium retailed in India is, henceforth, to be credited directly to opium, and not, intermediately, to excise.

The item of assessed taxes I shall reserve for remark hereafter.

The customs revenue is estimated at £2,570,000, being approximately the same as in the past year. It might be wished that the condition of trade warranted the anticipation of a large increase under this head of revenue. But the statistics of the foreign trade of India, for some years past, would not bear out such an estimate. It is not possible, at this place and time, to analyse these very interesting statistics; but I may here state that the figures for the last complete financial year, 1870-71, show the total value of imports and exports at 96½ millions; whereas the previous three years showed, for 1869-70, 100½ millions, for 1868-69, 105½ millions, for 1867-68, 99¾ millions, respectively. So far, then, 1870-71 would seem to show a falling off as compared with previous years. Even those years fail to prove a tendency towards progressive increase. And the year just closed hardly promises more than a slight improvement. Such would

*primâ facie* be the inference from the totals of the figures. But the inference would become less discouraging on further examination. For, as is well known, the American war imparted, from 1862 to 1865, a violent impetus to Indian trade—an impetus, indeed, too strong to last. The average trade of the five years preceding the war amounted to 52½ millions per annum. For the five years since the war, the trade has averaged 102 millions. The average increase of the latter quinquennial period over the former, then, is very considerable, and might encourage the hope that India is not losing, but is, to a large extent, maintaining, the commercial position which special circumstances enabled her for a time to acquire. Reverting to the trade of the year 1870-71, I would ask remembrance of the fact that the trade consists of two elements, merchandise and treasure. Now the total merchandise imported and exported amounted to 88¾ millions, which compares favorably enough with the 85½ millions of 1869-70, the 89 millions of 1868-69, and the 86½ millions of 1867-68. Again, for 1870-71, the exports amounting to 55⅓ millions represent the largest figure for any year since the American war, and, on the whole, this figure, representing the quantity of her produce which India sends to other countries, is the most important of all her commercial circumstances. Moreover, this good result was obtained, not in a year of peace, but in a year when the Franco-German war injured the trade with France and caused a diminution, by full two millions, of the exports from India to that country. The returns for the current year, so far as yet made up, promise that this favorable position will be maintained. Whatever else, then, may, or may not, be inferred in respect to our trade generally,

BUDGET ESTIMATE, 1872-73.

BUDGET ESTIMATE, 1872-73.

I may say that our export trade is such as to impart hopefulness to every well-wisher of British India. Again, the imports of 1870-71, valued at 33½ millions, exceed, somewhat, the 33 millions of the preceding year. Both years are, however, rather below the sums of the two previous years. But for this there is a particular reason, in that the tariff valuations of cotton goods and metals were reduced, in 1869, by 15 per cent. Had the valuation remained the same, then the value of imports for 1870-71 would have been higher than any year since the American war. Here again, therefore, no reason for discouragement appears. On the whole, however, it must be acknowledged that, with seasons generally prosperous, such as those we have lately had, we might have hoped that the Indian population would enlarge their consumption of European articles more than they are, apparently, doing at present.

But, if the last year and the current year have progressed fairly well as regards merchandise, why does the total trade show a diminution? Because the importation of treasure has greatly decreased of late. Even after the famous "drain of silver to the East" had become mitigated, still, during the first four years after the conclusion of the American war, India imported on an average 14 millions sterling worth of treasure annually. In 1870-71, however, only 5½ millions were imported. This fact may seem, at first sight, surprising. But the surprise would be lessened if it were remembered that, during the preceding years, the importations of treasure had been large, and that, during this year, the drawings by the Secretary of State in London were high, amounting to 9 millions. During the year 1871-72, the Secretary of State's drawings have been, again, large, £10¼ millions, and, till

lately, but little treasure has been imported. For some time past, however, the importation has been rising. BUDGET ESTIMATES, 1872-73.

Turning to particular staples, the importation of piece goods is, in respect to quantity, satisfactory enough. But I would recall to mind what was pointed out in my last exposition, namely, that this alone would not prove a favorable condition of the trade. There have been, and perhaps still are, complaints of difficulty of disposing profitably of these goods in the market in the interior of the country. As regards exports, cotton (577½ millions of lbs.), jute (3¾ millions of cwts.), oil-seeds valued at 3½ millions sterling, coffee (33½ millions of lbs.), tea (13¼ millions of lbs.), indigo (101,421 cwts.), rice (15¾ millions of cwts.), for the year 1870-71, represent very satisfactory quantities; and there is good hope of these quantities being maintained, perhaps even exceeded.

The influence of the Suez canal upon the trade of India is becoming clearly perceptible. The proportion of steamers to sailing vessels in our ports is fast increasing. To and from Calcutta alone there passed through the canal during 1871 some 155 vessels carrying produce valued at 13 millions sterling. I am not able to give similar statistics for the other ports. But the facts from Calcutta will give some idea of the magnitude which the canal-borne trade is fast reaching. Not only are the less bulky and more valuable imports being carried by that route, such as pressed cotton and piece goods, but also some of the more bulky exports, such as oil-seeds and fibres, and even rice. The extent to which an important export, the fibre of jute, is being thus conveyed, may be regarded as remarkable: last year (1871) some 74 ships laden with 633,000 cwts. of this staple, among other things,

BUDGET ESTIMATE, 1874-73.

passed through the canal. This, of course, is contrary to the original expectation, according to which it was supposed that for the bulky articles the Cape route would be preferred. The fact that British coal is appearing among our imports, to the partial supersession of Indian coal, is probably attributable to the canal. For the ships sailing by the Cape route, being no longer able to find freight in piece goods and the like, from England to India, are beginning to carry coal. On the other hand, despite the competition of the canal, the season has been very favorable for the sailing vessels on the old route, and freights have been more than usually high.

I have made these observations here, because the state of trade greatly affects several items in the budget.

The next item is salt, under which there is an increase of £106,800, the revenue estimated being, however, a fraction less than the amount actually received in 1870-71, that is, the year before last.

The amount set down for opium, £7,700,000, or $7\frac{3}{4}$ millions, though but little below a normal estimate, is considerably less than that which we are receiving for the current year. This decrease arises, as respects Bengal, from the circumstances I have mentioned to-day, namely, the short crop of last season. That failure of supply affected only one quarter of the financial year just closed. But it will affect three quarters of the present year. For these three quarters then the quantities are known and have been already notified. The Government has further announced that it will not, in any case, sell *more* than 48,000 chests in the calendar year 1873. This has reference to the formation of a substantial reserve of opium ; an object

which we have long had in view; which we have been prevented from attaining by misfortune of harvest; but which we still hope to attain. The prospects of the poppy are good as yet, but we must take 951 chests from the present crop to make up the quantity advertised for sale in 1872. If the yield should prove large enough to provide this and leave a margin, it has been determined not to postpone longer the commencement of a reserve sufficient to enable us to mitigate the effects of such a failure of crop as we have experienced during the past year.

It has been shown to-day how greatly the prospect of short supply has caused prices to rise during the late financial year, and how, despite fluctuations, these prices remain high. If they were to continue steady at these rates, or nearly at these rates, then, notwithstanding the diminished quantity of the first three quarters, there would be a high revenue. But no reliance can be placed on their remaining steady. If the yield of the coming harvest in China were to be large, the possibility of fluctuations in prices, perhaps even of a serious decline, must be borne in mind. And if such a decline were to occur while we were disposing of the short quantities from last season, the falling off in fiscal receipts would be aggravated. Considering, then, that we must guard our financial arrangements against disturbance from failure in this precarious branch, we have assumed the price of Bengal opium at Rs. 1,200 (or £120) per chest, a price which, though considerably less than the average of prices during the past year, is yet a good deal more than the Rs. 1,075 (£107-10*s.*) per chest assumed in my last budget. This estimate will, I trust, be found to be safe, as it provides for the contingency of a fall in prices.

BUDGET ESTIMATE, 1872 73.

There remains the estimate of the number of chests of Malwa opium likely to be exported, which will pay the fixed duty per chest. In framing this estimate we must be guided by the prospects of the trade and of the harvest, and the quantity of Bengal opium to be brought forward. These points having been considered, a probable number of 37,420 chests has been set down. Compared with 38,754 chests which paid duty in 1871-72, the number appears moderate. The reports of the Malwa crop now being gathered are quite satisfactory.

The estimated exports of Malwa opium combined with the 44,175 chests of Bengal will bring up the total estimate of Indian opium for China to 81,595 chests.

Year by year, experience brings home to us the conviction that there are few points of greater consequence to the prosperity of Indian finance than a safe and moderate estimate of the opium revenue.

The stamp revenue is expected to amount to £2,500,000, being almost the same as the figure shown for the year just closed. The progress of this item has been satisfactory for many years. Up to 1860, the highest annual sum received from stamps was three quarters of a million, £722,156. A revision of the law then took place, which brought the yield up to 1½ millions per annum, £1,455,633. In 1862, a further revision was made, under which the revenue rose to close on two millions per annum in 1867. Then a series of revisions, more complete than any previous undertakings, were conducted, embracing both duties leviable on judicial proceedings and on legal instruments, that is, both the judicial and the commercial branches; in these affairs our late colleague, Mr. F. R. Cockerell, had a laborious and honorable share. They were completed in 1870. The

object aimed at was to simplify and readjust the scale of duties; to rather lower them on the whole; and, for increased returns, to rely mainly on improved strictness of administration. In arranging this, regard was had to the model of the English stamp law, to local custom, to the convenience of trade, and to the interests of the various classes of suitors. Under the operation of the recent legislation, the revenue has risen from 2 millions in 1866-67, (£1,923,977,) to 2½ millions, (£2,496,000) for the year just closed. On the whole, it may be said that, in twelve years, the stamp revenue of India has risen from three quarters of a million to 2½ millions per annum.

The mint receipts, arising chiefly from the seignorage on the coining of bullion presented by the public for that purpose, are governed by the considerations which I have mentioned regarding the importation of treasure. The two mints (at Calcutta and Bombay) have, for the last two years, been often in a state of enforced inaction. At present there is much more activity; there is, at times, a brisk importation of bullion; and the high rates of exchange justify hope; therefore, the estimate is based upon a calculation of eight millions worth of silver bullion being probably presented for coinage during the year, and is taken at a figure higher than that of previous years. It is still, however, moderate in amount.

A decrease of £17,700 may be observed in post office receipts. This arises from improved arrangements respecting official postage, and does not indicate any falling off in the postage on private correspondence, which is, indeed, increasing steadily. A decrease of receipts arising from reduction in the weight of official

BUDGET ESTIMATE, 1872-73.

correspondence, though it might cause the total outturn to be diminished in the returns, would not show the financial effect adverse, but favorable, and would only be a proof of real economy. I have noticed, in former expositions, the development of postal correspondence, public and private, in this country, now represented by 86 millions of covers annually.

The electric telegraph receipts show a slight improvement of £13,400, which is the more satisfactory, in that the telegrams on the Government service are diminishing, while the telegrams sent by private persons and the public are increasing. There have been some modifications of tariff during the year. On the whole, the income of this department is but poor, especially as compared with its expenses. The fact that its annual income is just one quarter of a million (£249,000), while its charges are little short of half a million (£483,000), should supply an incentive for stringent economy in working expenses.

Under the head of interest there will be seen an increase of £102,000. This is owing to the completion of the investment in government securities of the specie reserve of the paper currency nearly to the full legal limit of six millions. The note circulation which has been generally in excess of ten millions, rising up to eleven millions, afforded full justification for this measure. At the present moment, indeed, the circulation is above thirteen millions; but its continuance at this high point cannot be depended upon. The profits of the currency (consisting of interest saved) are set down at £245,670, the expenses at £7,627; leaving a net annual gain of £238,043 to the State.

Under the heading of railways the gain by exchange is set down at £262,900: against which there is a slight set off of £33,800 on the expenditure side as loss by exchange. This credit and this debit arise from the existing arrangement, which was explained in my exposition of 1869. Thereby we gain two pence, that is, the difference between 1*s.*-10*d.* and 2*s.*, on every rupee we receive in India on account of the guaranteed railways, and lose two pence on every rupee we pay in India on that account. For many years, while the payments for the construction of the lines were large, and the receipts from traffic earnings were small, the Indian treasury suffered a net loss by the transaction. But now, as the lines are being completed and as the traffic is developed, the scale is turned the other way, and a compensation in the shape of net gain may be looked for.

BUDGET ESTIMATE, 1872-73.

The grand total of receipts stands at 48¾ millions (£48,771,000), apparently a moderate estimate. The amount is less than the average of the past three years. But this does not indicate any falling off in the revenues of India. The difference less is attributable to the opium prospect, to loss of assessed taxes, and to transfer of some receipts from the imperial sheet to local funds.

On the whole, the State income, though not otherwise than flourishing, fails to evince that elasticity and that tendency to rapid growth which we might desire to see, and which would be looked for if the requirements of progress in the expenditure are to be met. And this should inspire us with caution in attempting to relinquish any existing revenue which can be collected without contravention of established economic principles.

BUDGET ESTIMATE, 1872 73.

Let us turn next to the expenditure side. Here will be seen an increase of £1,254,300 in civil charges. This is chiefly caused by increase in the grant for the opium department of £711,700. This arises in Bengal, from provision being made for the purchase of the yield of a full crop on a somewhat extended area; from a sanctioned enhancement of ten per cent. on the price paid to the cultivator; and from increased advances on a still further expansion of cultivation. If this expenditure shall be fully incurred, it will fructify in increased receipts under this very important head.

There are other items of less importance in the civil branch which claim a passing notice. The decrease of £129,400 in interest on the debt is owing to the loan transactions in India, to which I shall presently advert. It would have been even greater, had not some increased interest payments accrued in England. It is deemed prudent to assume the increase of £30,300 under refunds and drawbacks, because the amount paid in the year just closed has been abnormally below the average. It has been necessary to provide an increase of £56,500 under land revenue by reason of the demands of some of the local Governments for grants for the prosecution of surveys and settlements. The increase of £110,000 taken for forests is more than covered by the increase on the receipt side; the one largely depends on the other. The increase of £26,700 under salt does not indicate increased establishments, but has reference to replenishing of stock at Madras and at Sambhur in Rajpootana. The increase of £10,500 under mint provides for increased coinage on influx of bullion, and if incurred will be covered several times over by improvement on the receipt side. Of the increase of £96,200 on the

post office, £50,000 are due to circumstances affecting the payment of the subsidy in England. The remaining increase arises from certain charges relating to district posts being eliminated from the miscellaneous head and classed under the proper postal head. A similar explanation is applicable to the increase of £56,100 in minor departments; the item merely relates to transfers from the miscellaneous heading. The increase of £70,700 under law and justice arises partly from debits in Madras, on account of process serving, covered by improvement on the receipt side; partly from recasting of judicial establishments in Burma; and partly from savings having occurred in the year just closed, which cannot be reckoned on during the ensuing year. The increase of £4,200 in the ecclesiastical department is attributable to the low state of that department during the past two years, vacancies being left unfilled which may require at any moment to be filled. The increase of £44,000 in political agencies is partly owing to important negotiations respecting territorial boundaries with the Shah of Persia. The increase of £119,200 under superannuation allowances springs from the increased retirement of Covenanted Civil Servants after the new orders concerning the annuity funds. Under existing arrangements, the Government has, in effect, to make up, at once, the capital value of the annuity of every civilian who retires. Before dealing with the capital of the funds we await the passing of an Act of Parliament. The diminution of £119,300 under the heading miscellaneous is caused entirely by transfers from this to other headings in consequence of improved classification in detail. The bulk of this item consists of £500,000, the estimated loss by exchange on the intended drawings by the

BUDGET ESTIMATE, 1872-73.

Secretary of State of 13 crores of rupees at a rate of about one shilling and eleven pence and one-eighth for the rupee. The actual loss thus incurred in 1871-72 has been £395,480, the actual average rate of the drawings being 1*s.* and 11*d.* The present state of the exchanges warrants us in assuming a slightly improved rate, notwithstanding the substantial increase of drawings expected. The increase of £66,900 in the allotment for provincial services arises from the transfer to this head of several small services, such as museums, charitable grants, municipal rates, house rent, and the like.

The total army charge is set down at £15,862,000, or nearly 16 millions, showing an increase of £118,100, which is due to expenditure for stores in England. In my last exposition, I stated that the charge set down for the service within India itself at £12,410,000, or nearly 12½ millions, was the lowest exhibited since the war of the mutinies, and I have to-day vindicated that statement. The corresponding item in this budget is still lower, being £12,099,700, or just 12 millions. This, too, provides for some outstanding expenses of the Lushai expedition, and includes £40,000 for camps of exercise held to be so necessary for military efficiency. It should be mentioned, however, that £100,000 have been transferred from the military grant to that for public works, it having been arranged that the barrack department shall in future be subordinate to the public works department.

Notwithstanding this transfer, the grant for public works ordinary shows a decrease of £99,300. The Council will bear in mind that the total grant of 2⅓ millions (£2,332,500) now shown, is irrespective of the grants for roads and civil buildings transferred to provincial services, and comprises, partly works relating to departments under the Government of India, to

agricultural improvement, and to the accommodation of the army. The decrease just shown cannot be regarded with complete satisfaction, even from a financial point of view. For, of late years, the necessities of our position have precluded us from adequately providing for the accommodation of the troops and for military sanitation generally. Under this stress, many works which probably must be executed sooner or later, have been unavoidably deferred or suspended, to the detriment of efficiency in some degree. I wish, indeed, there were the means of increasing the provision for these works which were pointedly alluded to in my exposition of 1869. But, under the circumstances, we are not able to propose more.

The charge for guaranteed railway interest less net traffic receipts is set down at £1,800,000 or $1\frac{3}{4}$ million, an amount not exceeding the charges for the past two years, but still very high. The gross payment for this interest is taken at £4,724,000 or $4\frac{3}{4}$ millions, against which there is the set-off of £2,924,000 or nearly 3 millions traffic receipts in India (net after allowing for working expenses), which leaves the charge above shown. In my last exposition I noticed the abatement which must be made from the credit which would otherwise attach to this great enterprise of railway communication in India. And I am still unable to present a favorable picture of the case from a financial point of view. During the year just closed there have been, occasionally, serious fluctuations in the traffic, necessitating immediate retrenchment of working expenses. Two lines, the Sindh Punjab and Delhi, and the Eastern Bengal, suffered much destruction in their works from violent and disastrous floods; and, in consequence, there was grave interruption in traffic. At one time there was a marked falling off in the traffic of the line hitherto regarded as

BUDGET ESTIMATE, 1872-73.

the best, namely the East Indian line. Such circumstances caused anxiety, and are being specially investigated. Happily, there has been a remarkable recovery in the traffic of this line. The Great Indian Peninsula line has been fairly successful during the year. The other lines, in southern and western India, which were not doing very well before, have, at all events, not fallen off of late. On the whole, the conditions of the guaranteed railways during the year have added one more to the many anxieties of Indian finance The interests which the Government has at stake in these undertakings are acquiring really vast proportions. And the result is not, as yet, so favorable as might be expected. The traffic, as regards both passengers and goods, is not advancing as it apparently ought to advance. There are doubts whether the fares are such as to attract the moving and travelling masses of a poor population like that of India. There are fears that, in some cases, other modes of communication, by river and road, are proving competitors to the rail. The working expenses appear to be generally high; and, with so many railway companies, it becomes difficult to regulate them with uniform economy; on some lines the working expenses are proportionably too high; for all India they amount to more than four millions sterling per annum; and a difference, more or less, in this great item produces a perceptible effect on the State finance of the year. I say this not at all to disparage the great services which have been rendered to the country under the present system, but to explain the actual contingencies which beset our finance, and to reiterate what was indicated in my last exposition, namely, that no part of our State finance requires, at the present time, more firmness and vigilance than that which relates to the guaranteed railways.

Before finishing my explanation of the expenditure side, I must add that the estimate of interest on funded and unfunded debt has been favorably affected by the recent loan transactions, the circumstances of which must be briefly recounted. The five per cent. loan of 16¼ millions sterling raised in 1857-58 to defray the expenses caused by the mutiny and rebellion of 1857, became repayable at the option of the Government on the 16th January 1872: that is to say, Government had engaged not to discharge it until that date, but had reserved the power, after that date, of either discharging it at any time, or of continuing to pay the interest, the only condition being that at least three months' notice should be given of intended repayment. Considering the condition of the public credit of this country, we thought that the opportunity should be taken to reduce the five per cent. rate of interest, and to offer, in lieu of that rate, 4½ per cent. for seven years, and, thereafter, 4 per cent, or, failing the acceptance of that offer, to discharge the loan. Accordingly, on the 16th of September 1871, the intention of discharging the loan on expiration of the term was publicly notified to the stock-holders. At the same time, an offer was made to the stock-holders of transferring their holdings to a new transfer loan bearing 4½ per cent. interest for seven years, and, thenceforward, 4 per cent. Government engaged not to discharge this loan for the next ten years at least. This offer was restricted to 13½ millions out of the total amount of 16¼ millions. The residue, namely, 2¾ millions, was to be discharged absolutely by means of that portion of the cash reserve of the paper currency which was, by law, available for investment in Government securities; and, in exchange for the coin thus paid out, there were to be issued to the currency department, at the market price of the day, Gov-

BUDGET ESTIMATE, 1872-73.

BUDGET ESTIMATE, 1872-73.

ernment promissory notes bearing four per cent. interest. In other words, the opportunity was to be taken of investing in Government securities a portion of the cash reserve of the paper currency, in strict accordance with the terms of the law, and of rendering that investment as advantageous as possible by making it assist in the substitution of a four per cent. for a five per cent. rate of interest, for a part of the national debt. This had become practicable from a combination of circumstances: the paper currency had expanded, justifying an extension of the legal limit for the investment of part of the reserve in Government securities; the cash reserve had for some time past been higher than the amount necessary by law to be kept up; and thus an opportunity was being looked for, to complete the investment up to the legal limit.

The Government offer met with general acceptance from the stock-holders. The total of the stock (held partly in England and partly in India) tendered for conversion on the terms proposed, exceeded £13,500,000, the limit fixed for the operation. But, as the Government had itself tendered a quarter of a million on behalf of the currency department, it was able, by withdrawing a portion of its own tender, to satisfy every stock-holder who had accepted the offer made by the Government within the time fixed. The currency investment has been duly effected in the manner above described. The loan of $16\frac{1}{4}$ millions having been thus discharged, the saving of interest during the next seven years will be £93,698 per annum, and, thereafter, £161,198 per annum, besides the immediate annual gain of £109,367 arising from the investment of £2,700,000 currency reserve.

The ordinary expenditure, then, proposed for the year amounts in all to £48,534,000, or $48\frac{1}{2}$ millions. The total, though, for reasons set forth to-day, above the

amount shown for the year just over (£47,276,500, or 47¼ millions), is yet low as compared with the actuals of previous years, namely— BUDGET ESTIMATE, 1872-73.

| | | |
|---|---|---|
| 1870-71 | ... £49,930,695 or 50 | millions. |
| 1869-70 | ... £50,782,412 or 50¾ | „ |
| 1868-69 | ... £52,036,722 or 52 | „ |
| 1867-68 | ... £49,542,107 or 49½ | „ |

In other words, if these estimates shall be borne out by the actuals, we shall have got below the expenditure which prevailed five years ago, even allowing for the receipts (about £700,000) transferred to Provincial funds, and so deducted from both sides of the Imperial account, and that would probably be deemed satisfactory.

Such is the budget for 1872-73, with an income of £48,771,000, and an ordinary expenditure of £48,534,000, leaving a surplus of £237,000: the result may be described as equilibrium, secured by a small surplus of a quarter of a million. Doubtless the surplus is not as large as it ought to be, but we are not able, under the circumstances, to make it larger.

So much then for the income and ordinary expenditure of the year.

Besides the ordinary expenditure as above explained, there is proposed an expenditure for public works extraordinary of £2,615,000, or 2½ millions, to be provided for from borrowed funds. To the general character of these works I have already adverted to-day.

According to the form prescribed for the financial statement, it will be seen that the addition of this amount brings up the total of ordinary and extraordinary expenditure to £51,149,000, or nearly 51¼ millions.

I must now ask the Council to revert to the item of assessed taxes. The amount set down (£570,000) shows a decrease of £254,600 as compared with the previous year. From the explanation already given to-day, it will be

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apparent that last year's receipts were swollen by arrear collections, which will not recur. The present moderate figure, over half a million, is assumed in consequence of the proposal which I have now to make on behalf of the Government of India, that the light income tax, which was imposed for the year 1871-72 just expired, be re-imposed, with certain modifications, for the new year 1872-73. I have accordingly to ask leave to introduce a Bill into this Council for that purpose. The measure is, manifestly, indispensable, because, without it, there would be a deficit in the budget, a position which we could not contemplate so long as any fair alternative remained to us. The rate of assessment is proposed to be the same as that prescribed for the last year, namely, two pies in the rupee, or a fraction over one per cent. This rate is, as explained on previous occasions, the lowest at which the tax could be levied if retained at all.

The proposed modification above alluded to is this: last year, it will be recollected that the minimum income liable to assessment was raised from Rs. 500 to Rs. 750 per annum; in other words, incomes below Rs. 750 a year were exempted. It is now proposed to raise the minimum to Rs. 1,000 per annum; in other words to exempt incomes below Rs. 1,000 a year. Last year, the number of persons liable to assessment was, by altering the minimum, reduced from 480,000 to 240,000. By the further alteration now proposed, the number will probably be further reduced to 180,000. The first named exemption caused an estimated sacrifice of £150,000. The exemption now proposed will involve a further estimated sacrifice of £63,000. We were glad last year to be able to propose so large an exemption. We have further satisfaction in being able to propose an additional exemption now.

The unfavourable reports in respect to the working

of the tax received from some parts of India have been duly considered, and suitable orders have been issued to prevent any just cause of complaint arising. From some parts of India, however, the reports have been favorable; and in many parts there is an absence of complaints. Our general conclusion is, that, whatever trouble may have existed, has been mostly removed by the exemption of a large number of the tax-payers, and by the reduction of the rate. Whatever remnant of complaint may still exist, will, it is hoped, be effectually removed by exempting incomes below Rs. 1,000 per annum. No poor or needy class would then be subject to the tax, which will be unquestionably what it was always intended to be—a tax on classes in comparatively easy circumstances.

With all its drawbacks, the measure has done right good service to the finances. From 1860 up to the present time, it has, in various shapes, yielded 13½ millions to the exchequer. If our finances, one year taken with another, on a series of years, shall be found now to occupy a strong position, the tax has borne a creditable part in producing that result.

During our earlier deliberations regarding the budget, in January last, it was under discussion whether it would not be desirable to re-impose the tax on this occasion in combination with reductions of other taxation, either for the advantage of the mass of the people or for the remedy of politico-economic defects in our fiscal system. A mature and complete consideration of these important and complicated questions has, however, been impracticable under existing circumstances, and the Government have felt that, in order to be just and satisfactory, the discussion of changes which may still be regarded as desirable must be reserved for a subsequent period.

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In the course which is now being adopted we have the express concurrence of the Secretary of State.

While proposing the re-imposition of the income tax for one year, we are unable to afford any indication as to whether the income tax should or should not, in the future, be made an integral part of our fiscal system.

The remarks made by the late Governor General, Lord Mayo, in the budget debate of last year seem applicable to the present occasion. He then said—

"We do not offer any opinion whether it" (the income tax) "ought or ought not to be continued as a "permanent part of our fiscal system. . . . . "The Government and this Council ought to have an "opportunity of fully considering the claims for relief, of "some other interests which may be considered as com- "peting with the income tax in regard to the reduction "of burden."

From this explanation of the receipts and charges of the year, I pass on to the fourth and last division of the subject, namely, ways and means and the cash balance account.

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The original estimate for 1871-72 showed the anticipation of a cash balance on the 31st March 1872 of £15,121,251, or 15 millions, in India, and of £2,125,283, or 2¼ millions, in England; the total being £17,246,534, or 17¼ millions. This sum was the balancing item at the end of a vast estimate embracing many and various things besides the regular finance of Government. It is now, however, expected that the amount will be £24,346,015, or 24¼ millions (being seven millions in excess of the original estimate), of which £21,640,143, or 21½ millions, will be in India, and £2,705,872, or 2¾ millions, in England. This again is an entry in the balanc-

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ing of a great estimate, and is liable to disturbance. It is, however, checked by facts of the actual balances at the principal treasuries, up to recent dates, and it will probably be found nearly correct. I shall, therefore, explain briefly the difference of £7,099,481, or £7 millions, between the original and the final estimate. In the first place the opening balance was better than estimate by £2,102,381, of which £1,293,689, or 1¼ millions, arose in England, owing to the Secretary of State having raised money for the home requirements earlier than was expected. The remainder, namely three-quarters of a million in India, is owing to the improvement already explained of the actual account as compared with the regular estimate, and to other minor causes.

Then the surplus on the ordinary account of the year is now estimated, as already set forth, to be £2,606,600, or 2½ millions more than the small surplus originally estimated, and the extraordinary expenditure is expected to be £1,889,200, or nearly 2 millions less than had been estimated.

The result of the account of the Secretary of State's bills is more favorable than estimate by £759,100 or three quarters of a million; this large sum remaining yet to be paid in India, though already received and credited in England, and included in the cash balance there.

The net amount borrowed during the year appears to be £278,500 more than estimate, notwithstanding that the Secretary of State raised, in 1871-72, one million (£1,086,600) less than was expected. The apparent excess upon the whole account, notwithstanding this decrease, is due to a large amount of the 5 per cent. loan of 1856-57 (more than £1,300,000) remaining as yet unpaid to our creditors, and awaiting application for payment, though the amount has been transferred

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to the treasury from the currency department, as already explained.

These various causes account for a gross improvement in the balance of 7½ millions. On the other hand, we have received £569,000, or half a million less railway capital than was expected. Thus, the net improvement of 7 millions sterling is fully explained.

The cash balances, which we expected to be high, have proved to be higher still. When the estimate was first put forth, the amount was held by some to be too high. In answer to criticism to the above effect, I stated in debate, before this Council, in March 1871—

"The matter is one of discretion in a large degree, and on consideration of all our requirements and liabilities for the coming year, I beg to assure the Council that the present amount of cash balances is not otherwise than satisfactory."

These anticipations have been amply justified by the experience of the year just closed. In my last exposition it was stated expressly—"We duly bear in mind the amounts of the loans bearing interest at 5 per cent. during the coming year."

Accordingly, we did, in September last, proceed to deal with this portion of the public debt, amounting to 16¼ millions, in the manner described already to-day. If ever there was an occasion when the cash balances ought to have been exceptionally high, it was this. The total cash in the treasuries, even at that time of the year when the amount is usually at its lowest point, amounted to 16 millions, with, practically, a certainty of increase by January, when the period of discharge would mature. The possession of such a resource immediately available, facilitated the execution of a measure profitable to the State. It is true that the maintenance of such high

balances did cause some cost to the State, appreciable indeed, though hard of exact estimation. But that is vastly exceeded, on the other hand, by the advantage derived from the strong position of the treasury and the high credit arising thereby. CASH ACCOUNT.

Again, the loss to the public interest, caused by the maintenance of an extraordinarily high cash balance, cannot have been at all as great as seems to have been supposed by many, or must have been outweighed by positive advantages. Objections have often been raised which, if I apprehend aright, appear to amount to this, that these large sums of money have been lying either unemployed, or inadequately employed. There might be some force in objections of this sort, if the money were in the treasury vaults as it used to be under the old system. But, under the new system, as is well known, a large part of these balances is deposited in the three presidency banks; and the banks must naturally have had the use of the money for the benefit and convenience of the public. Regarding the character and extent of this advantage, opinions may differ, but that there has been great accommodation hereby afforded to trade is unquestionable. And this has been repeatedly admitted by persons versed in the affairs of the money market.

This circumstance is not at all adduced as a reason, *per se*, for keeping up a high balance. All I say is this, that, a high balance having, for a time, become necessary for State purposes, we have so managed that the balance should not, meanwhile, lie idle and infructuous, but should subserve indirectly the legitimate interests of commerce.

The new official year thus commences with a total estimated balance (England and India) of 24¼ millions, as just seen, of which, if the estimates shall

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prove correct, 4¼ millions may be regarded as due to the accumulated surplus income of the two years 1870-71 and 1871-72. The estimate for the close of the year may be contrasted as follows:—

| | 31st March 1872 | 31st March 1873. |
|---|---|---|
| | £ | £ |
| England ... ... | 2,705,872 | 2,089,672 |
| India ... ... | 21,640,143 | 17,541,543 |
| Total ... | £24,346,015 | £19,631,215 |

The estimated balance in India of £21,640,143 or 21½ millions, at the beginning of the new year, is an amount almost unprecedented. This condition will not continue long; nor, indeed, ought it to continue.

By the end of the year, that is on the 31st March 1873, the amount in India, anticipated by estimate, stands at £17,541,543, or 17½ millions. This sum if it shall be realized, will be more than sufficient for the standard of our ordinary expenditure. But it would be premature to consider this, until we are more sure than we can be now, of really possessing the money. It might, perhaps, be possible, the cash balances continuing high, to carry on the extraordinary expenditure after the close of 1872-73, without borrowing: and that, indeed, would be a happy result.

We have provided, as has just been seen, for an extraordinary expenditure of £2,615,000 to be defrayed from loan funds; and, for all this, there is no loan to be raised either in England or in India during the year. The expenditure therefore is to be met from the existing loan funds which are included in the cash balance. And the funds in hand are sufficient. For, one of the estimates appended to my last exposition showed a probable unexpended amount of £2,591,438 of loan

money at the end of 1870-71, to be carried to account for 1871-72. The actual account of loan money spent in 1870-71, which is appended to the present statement, raises this amount to £3,149,225. During the year 1871-72, the Secretary of State has borrowed £1,408,400 or 1½ millions in England, which, together with the balance from former years, and some minor receipts detailed in the appendix, makes up £4,580,685 or 4½ millions. Against this, there has been an extraordinary expenditure (according to latest estimate) of £1,932,500, or 2 millions, leaving £2,648,185, or 2½ millions, in hand. This last-named sum represents the funds available for the extraordinary expenditure of the new year 1872-73, as above shown.

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There seems, occasionally, to have been an apprehension in some quarters that money ostensibly borrowed for extraordinary public works of a directly remunerative character, would really be used for the ways and means of ordinary finance. The observations on this point in my expositions of April 1870 and March 1871 were intended to correct any such apprehension, if it really existed, and to show that since 1869 70, when the system fairly began, we have acknowledged all the moneys thus borrowed, to be a debt due to the public works department which the treasury is bound to pay. Last year, I exhibited an abstract account of these transactions, and a further account will be found among the appendices to-day. The substance of the explanation is that (subject to corrections of latest estimate) there have been borrowed up to date since 1869-70 £11,207,307 or 11¼ millions (including the Elphinstone land loan), of which £5,504,224, or 5½ millions, have been expended on public works extraordinary, and £3,054,898, or 3 millions, have been lent to municipal

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and other public corporations (including the Elphinstone land advance); leaving £2,648,185 or 2½ millions in hand for these works, and for loans of the same character, in the year just beginning. There is to be no borrowing in the year;—the amount in hand will suffice to cover the extraordinary expenditure of £2,615,000 proposed for the year: and may, indeed, leave a small margin. But, then, the advances made to municipalities must be borne in mind. We cannot say, at present, how much will be required in 1872-73 on this account, but the amount is likely to be not inconsiderable. Calcutta is borrowing for a market-place and for the extension of its drainage works, and Bombay for its immediate municipal necessities. Upon the whole, it seems likely that, by the end of 1872-73 all the loan money in hand will have been paid away.

The fulfilment, by the general treasury, of the obligations springing from these affairs is regarded by us as most important.

If it be thought that money has been sometimes borrowed too long beforehand, and that the provision of funds has anticipated the expenditure, then it might be said, in answer, that there are times and seasons for borrowing, and that money must be taken up when it can be most advantageously obtained. And these points have, doubtless, been well determined by the authorities in England, where the money has been chiefly borrowed. At this time, after comparing the sum total raised with the sum total expended, there remains in hand no more than enough to defray the proposed expenditure on these works in the new year, and to cover the advances to be made to municipalities.

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The bill which was adverted to in my last exposition to enable municipalities to contract financial obligations without legal question, and to practically prevent them from borrowing from any party save the State, has passed into law.

If, notwithstanding these considerations, the anticipated amount of cash balance were yet regarded as too large, I should rejoin further that the exchequer still owes a considerable sum on the capital account with the guaranteed railways. It may be observed that 93½ millions of railway capital have been, or are to be raised up to the end of 1871-72. This is to be counterbalanced by expenditure in England on account of the guaranteed railways, or by the payments for the construction of the lines in India. These taken together will by the end of 1871-72 amount to 90 millions, leaving a debt due by the Indian treasury on this account of 3½ millions. This will be cleared off in due course; but the circumstance suggests carefulness, so as to maintain the cash balances in a strong and satisfactory condition.

Such then is my explanation of the cash balances; and I maintain that, if regard be had to the liabilities of the treasury—in respect of the borrowed funds in hand for public works,—of the unexpended railway capital,—of the Secretary of State's bills outstanding—in respect of the assets of the local funds and provincial services,—of the various deposits received under many laws and various circumstances—and in respect of the absolute avoidance of borrowing for ordinary service of the State—then the amount will be found satisfactorily high, though not too high.

In adverting to the main heads of the general cash account I will not repeat the general description given in

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previous expositions, which description is applicable to the accounts both in England and India given among the appendices to-day. It will be most convenient to summarize the total figures of the two accounts in England and India taken together, as the one so much depends on the other. Suffice it to state that, on the receipt side, besides the opening balance of 24½ millions and the Government income of 48¾ millions as shown to-day, there are railway traffic receipts, recoveries and deposits, local funds, and receipts on remittance or suspense account which bring up the total to £133,500,015, or 133½ millions. On the payment side, besides the Government expenditure, ordinary and extraordinary, of 51 millions as shown to-day, there are railway working expenses, advances recoverable, deposits to be repaid, sums payable on bills drawn by the Secretary of State, disbursements for construction of railways in India, and some transfer entries which bring up the total to 115 millions. This deducted from the total on the receipt side, leaves the anticipated sum of £19,631,215 or 19½ millions already mentioned as the probable balance at close of the year, that is, on the 31st March 1873.

The appendix shows, in separate columns, an abstract of the cash account kept by the Secretary of State in London on account of India. On the receipt side there is the opening balance of 2¾ millions (£2,705,812); the amount to be received on bills of exchange drawn on India is set down at 13 millions; there will be £2,146,700 or more than 2 millions railway capital subscribed; all which, together with some smaller items, make up a total of 18 millions (£18,110,472). On the payment side there will be an expenditure in England on account of India of 13¼ millions (£13,327,000); there will be 1¼ million

(£1,160,400) paid on the remittance account, and there will be 1½ million (£1,526,400) of withdrawals of railway capital. These, together with some smaller items, make up a total of 16 millions (£16,021,800), which, deducted from the total on the receipt side, leaves a probable closing balance on 31st March 1873 of 2 millions (£2,089,672), which amount appears to be moderate. CASH ACCOUNT.

In the cash accounts thus summarized there are only two points which need be selected for remark: they are, the income from local funds; and the Secretary of State's bills.

The income of the local funds was, in my exposition for 1871-72, set down at £4,028,473, or four millions for all India. To this was to be added whatever might be received from special taxation which was then being devised by the several local governments. Since that time the contemplated measures have been legally authorized and carried out in the various provinces of British India. In Bengal the bill for the road cess has passed into law; but the levy has not yet commenced. The future yield is not yet known, but is calculated at £84,000 per annum, at present, with prospect of increase.

In the North-Western Provinces there is an acreage tax in permanently settled districts, and a five per cent. cess on annual value in temporarily settled districts estimated to yield £211,000 per annum.

In the Punjab and Oudh there are Acts for levying rates on land, estimated to yield £132,000 and £31,000 per annum respectively.

In the Madras Presidency there are the towns improvement Act and the local funds Act, which seem calculated to yield in all £235,000 per annum.

In the Bombay Presidency there are Acts for taxing non-agricultural classes and for a new police rate, estimated to yield £61,000 per annum.

CASH ACCOUNT.

The receipts from all these local sources during the broken periods of the year just closed—the first year of their introduction—have not yet been fully returned; indeed, time hardly yet admits of such a return being complete; but the total appears to be £754,000, or three quarters of a million. The greater part falls on the land, and a small part only on trades and professions. The figure is, however, approximate, and is subject to correction hereafter. In this way, the latest revised estimate for the year raises the total from 4 millions to $4\frac{3}{4}$ millions, or £4,782,473. This statement may not be fully complete; but, in so far as it is complete, it represents the aggregate of local taxation in British India. And certainly the amount does not seem excessive, as compared with the population and resources of the country and with the State income.

As regards the bills to be drawn on India by the Secretary of State, the total has been seen in the cash account to amount to 13 millions sterling for the year 1872-73. The loss by exchange on these operations is set down in the budget estimate at £500,000. In other words, England is, during the year, to draw 13 millions from India, and the charge upon India for that operation is expected to amount to half a million. Thus India has to pay $13\frac{1}{2}$ millions in all. The amount, though serious, can be well accounted for, and can be discharged without embarrassment in the present state of the cash balances in India. It arises in this way. The expenditure ordinary in England on account of the Government of India is estimated at £8,236,800, or $8\frac{1}{4}$ millions; extraordinary (chiefly stores), for works in progress in India, at £410,200, or nearly half a million; the guaranteed railway interest at £4,680,000, or $4\frac{3}{4}$ millions. These three items make up the $13\frac{1}{4}$ millions, or £13,327,000. And, inasmuch as there is to be no money borrowed, and as the railway capital paid up during

the year, £2,146,700, is, for the most part, to be "withdrawn," that is, expended in England on account of the Indian railways, it follows that there is no resource but to draw on India for 13 millions.

The 13 millions for 1872-73 represent the largest sum ever yet set down on this account. The average yearly sum during the previous five years amounted to £5,666,849, or 5½ millions, and that for the preceding five years to £6,114,083, or upwards of 6 millions. One cause of the increase is, of course, the growth of the expenditure. Another cause is this, that, for several years, large sums (amounting to several millions yearly) of railway capital were paid in by the guaranteed companies in England. These sums were for the construction of the railways in India, and India repaid the debt by advances for the works on the spot. The arrangement *pro tanto* lessened the amount to be drawn by England on India. At this time however the works are approaching completion, and the capital subscriptions in England are becoming less and less. A further cause of increase is this, that the borrowings for Indian public works extraordinary, have been effected in England. The receipt of loan money there has, proportionably, lessened the amount to be drawn from India by bills. This year, however, there is to be no borrowing in England, and the amount receivable from India is not diminished by that reason. Lastly, in the three years 1867-70, a net sum of £5,812,728 (5¾ millions) was received at the home treasury, from Her Majesty's Government, in repayment of advances made in India for the Abyssinian expedition, and, to this extent, the Secretary of State's bills on India were reduced in those years. But, however complete the explanation may be, there remains the

CASH ACCOUNT.

fact of the very large sum to be drawn from India—a politico-economic fact of some gravity, in relation to exchange and to trade. There is neither space nor time for entering on the subject on this occasion; but the circumstances cause special interest to attach to the returns of the export trade of British India. If the country is to continue satisfactorily to bear these annual drawings of money by England, she must look more and more to disposing of her products to other nations and to obtaining thereby the resources which can alone enable her to make the annual payments in England, without monetary or other derangement within her own limits.

CONCLUSION.

Before concluding I must touch on some few matters connected with finance.

The Government savings banks of all kinds (including those at the Presidencies, in the districts, and in regiments) have now 35,600 depositors, and £1,126,772, or near $1\frac{1}{4}$ million of deposits. The figures, if not absolutely large as yet, are annually increasing. The new district savings banks in the interior of the Bengal Presidency have, within the past year, increased from 49 to 92 in number, the number of depositors up to recent date being 2,300, and the deposits amounting to £40,374. These are only beginnings; but they will grow.

There are now 362 money order offices in British India; the number of orders issued were, in 1870-71, 242,700, amounting in value to £1,300,600, or $1\frac{1}{3}$ million. These figures are the highest yet attained. The arrangements for a money order system between India and England (so long delayed) are now nearly complete, and will, I hope, soon be announced.

The paper currency has been already adverted to in a former part of this exposition. It will suffice to add that some effect has been given to the arrangements promulgated last year for establishing currency agencies at the district treasuries in the interior, in addition to the previously existing offices of issue. Some 27 of these agencies have been set on foot, and more are in contemplation. In all they have had consigned to them notes to the value of a quarter of a million sterling. This, too, is a commencement, and further development is hoped for. It is matter for regret that the new five-rupee notes have not yet been received from England. CONCLUSION.

The loan operations explained to-day have simplified the classification of the national debt of India, which may now be abstracted as follows. There are $10\frac{1}{2}$ millions (£10,663,600) bearing $5\frac{1}{2}$ per cent. interest, raised in the troublous times consequent on the war of the mutinies. This loan will not be repayable, under its conditions, until 1879, at which time there will accrue to Government an option of repaying. There is more than one million at 5 per cent. (£1,100,000). This is made up of debentures (for periods of 10 and 15 years) issued in 1867-68 to raise money for public works. There are sixteen millions (£16,033,650) at $4\frac{1}{2}$ per cent.; this includes the large item to which I have just been referring, and which, after seven years, is to bear only 4 per cent. It also includes the loan received from Maharaja Holkar and some remnant of former loans. The next item consists of $36\frac{3}{4}$ millions (£36,778,775) bearing 4 per cent. interest. This is a consolidated head comprising the loans raised up to 1832, commonly called "the sicca fours," the loans raised in 1842, and in subsequent years up

Conclusion. to 1854, and the loans of 1869, one received from the Maharaja of Patiála and the other raised in open market. There is a small item of £67,900 at 3½ per cent. Besides these rupee loans in India, there are the loans raised in England bearing 4 and 5 per cent interest (departmentally called the "sterling" loans, the amounts being expressed, and the interest payable, in pounds sterling). These now amount to 39 millions (£39,036,017), of which £22,200,000 bear interest at 5 per cent., and the rest, except a petty sum of £20,917 on which no interest is paid, bear interest at 4 per cent. They have been chiefly, though not entirely, raised at various times since the war of the mutinies in 1857. Thus, of the grand total of 104 millions of "rupee" and "sterling" loans, no less than 54 millions already bear 4 per cent. interest, and 16 millions now at 4½, of which the greater part will bear only 4 per cent. after brief terms of years. Thirty-four millions are bearing a higher rate, and we are only prevented from dealing with these with a view to reduction of interest, by the obligatory conditions on which they were raised. The figures just given do not include the £6,299,700 East India stock, for the redemption of which a guarantee fund is accumulating.

Now, inasmuch as the 4 per cent. stock in England and India has, during the year, commanded higher prices than ever, generally as much as 98 and 99 for 100 pounds or rupees, and has sometimes reached, even slightly exceeded, par, it would seem that the credit of the Government of India in the money market may be measured by a rate of something less than 4¼ per cent. On the whole, the public credit of British India has never at any period been in a more satisfactroy position than during the year just closed.

I shall finish this exposition by summarizing its chief points. It has been shewn, then— Conclusion.

that for 1870-71 there is an actual surplus of £1,482,990 or 1½ million of income over ordinary expenditure, chiefly owing to increment of opium receipts;

that, however, without this increment, there is still a moderate surplus owing to other and more normal causes;

that, for 1871-72, there is an estimated surplus of £2,700,000 or 2¾ millions of income over ordinary expenditure, of which three-fourths are attributable to increase of opium receipts, and one-fourth, to ordinary management of the finances;

that the ordinary expenditure has been reduced to a point lower than any which has been seen during the past five years;

that, for 1872-73, there is estimated an equilibrium between income and ordinary expenditure, supported by a small surplus of £237,000, or one quarter of a million;

that the Income Tax Act for 1871-72 having expired on the 31st of March 1871, its re-imposition is proposed for 1872-73, at the same rate as before, namely a fraction above one per cent., but with the exemption of incomes between Rs. 750 and Rs. 1,000 per annum; causing the release of 60,000 tax-payers, and a sacrifice of only £63,000 of revenue;

that the concession of increased financial control to the several local Governments, in respect to certain provincial services, is working well, apparently affording satisfaction to the local authorities, and fostering a spirit of economy in administration;

that in addition to the previously existing local

Conclusion. funds, fresh provincial taxation has been imposed in the various provinces of India, probably amounting in the aggregate to £750,000 per annum;

that, at the commencement of 1872-73, there remain upwards of 2½ millions in hand of money borrowed for public works extraordinary, after deducting expenditure and advances on these works up to date;

that it is proposed to meet 2½ millions of expenditure on these works, during 1872-73, without borrowing either in England or India;

that the cash balances in India, estimated at 21½ millions on 31st March 1872, are satisfactorily large, though not too high for the requirements of the country, present and prospective;

that the Indian Treasury is to meet 13 crores of bills to be drawn by the Secretary of State in England upon India during 1872-73;

that the rate of interest on 13½ millions of the national debt has been reduced from 5 per cent. to 4½ for seven years, and thereafter to 4 per cent., and that 2¾ millions have been discharged;

that the investment of the specie reserve of the paper currency has been completed nearly up to the legal limit of six millions sterling;

that the establishment of district savings banks is gradually, but surely, extending in the interior of the country.

I must now conclude this exposition. In previous expositions I have dwelt on the principles which have guided our financial policy. There is now nothing to be added thereto. I can only say that, throughout the past year, those principles have been followed, and have on this occasion, with your Lordship's support, been

firmly maintained. And, certainly, a retrospect of results should encourage us to persevere in our present course. For the ordinary finance is in a condition of surplus; expenditure is kept within limits; the treasury is full; and the State credit is high, higher, perhaps, than it has ever been. But, though something has been accomplished, still much remains for accomplishment in the way of fiscal and economic improvement. And that should serve as a further incentive for perseverance.

CONCLUSION.

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# INDIA

# FINANCIAL STATEMENT,

# 1873-74.

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## MINUTE

BY

## THE HON'BLE SIR RICHARD TEMPLE, K.C.S.I.,

DATED 27TH MARCH 1873.

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# INDIA

# FINANCIAL STATEMENT, 1873-74.

## MINUTE BY THE HON'BLE SIR RICHARD TEMPLE, K.C.S.I., DATED 27TH MARCH 1873.

I have to present the budget of British India for the year 1873-74, together with my financial exposition in the usual divisions:—

1*stly*, the actuals for the past year 1871-72;

2*ndly*, the regular estimate for the current year about to close, 1872-73;

3*rdly*, the budget estimate for the coming year about to commence, 1873-74; and

4*thly*, the ways and means and the cash balances.

Before treating of each of these divisions in order, I must mention some slight alterations which have (with the sanction of the Secretary of State) been made in the form of the accounts.

On the receipt side a new heading of receipts in aid of superannuation, retired, and compassionate allowances is presented. This consists chiefly of the subscriptions by officers on account of those pensions for widows and orphans which were formerly paid from the military and medical funds, but which are now paid by the State since the abolition of those funds in 1866, and it includes transfers from the capital deposits originally the property of those funds, but now the property

of the State. In my previous budget statements they were included in the miscellaneous heading.

On the expenditure side a new heading appears for civil furlough and absentee allowances, an item which has always been shown separately in the home accounts. And on this occasion the loss by exchange on remittances to the Home Treasury, which used to be included in miscellaneous, is shown separately, by reason of the special importance of the item. The miscellaneous heading, which was unduly large, has thus been reduced to a more manageable size. The heading of medical services, which has heretofore appeared in the budget statements, disappears in the present statement, having been transferred to the heading of allotments for provincial services. The greater part of the civil medical grants had previously merged in these allotments, and the remnant now follows.

ACTUALS, 1871-72.

I thus begin with the actual figures of the year 1871-72. In my last financial exposition it was explained that, according to regular estimate, a surplus of £2,700,000 was expected of income over ordinary expenditure, owing mainly to gain in the opium department, and partly to savings and reductions in expenditure. It is now seen, however, that the surplus actually amounts to £3,124,178, or more than three millions, owing to still further savings and reductions in expenditure. The fact of this amount exceeding actually even the large surplus shown in the regular estimate is satisfactory, as proving that this regular estimate, though very favorable, was yet cautious, and that the economy enforced so successfully up to the tenth month of the year, when the regular estimate was prepared, was strictly maintained up to the last day of the year. And

in this advantage all departments have shared alike, according to their respective proportions, the civil branches generally, the army, the marine, the public works, the railways. The main causes of this surplus were set forth by me last year. Doubtless its magnitude will be regarded as very satisfactory; but our satisfaction must be moderated by the recollection that more than half of the surplus arises from a gain in opium, on which we had no right to count. Still the result is partly due to our own management, for the ordinary expenditure of the year (just under 47 millions) was low; quite the lowest that has been seen for several years past. ACTUALS, 1871-72.

It will be observed then from the appended statement that the receipts of the year 1871-72 were £50,109,093, or more than 50 millions; while the ordinary expenditure amounted to £46,984,915, or nearly 47 millions, leaving the surplus of £3,124,178, or more than 3 millions.

Besides the ordinary expenditure, there was an extraordinary expenditure of £1,628,474, or 1½ millions, on remunerative public works. Even with this extraordinary expenditure, for which we are allowed to provide by loan, the income of the year exceeded the aggregate of expenditure, ordinary and extraordinary together, by £1,495,704, or 1½ millions.

Thus ends the most prosperous year yet known in our financial history since the establishment of the budget system.

I next turn to the second part of the subject, namely, the regular estimate for the current year 1872-73. On this, as on previous occasions, the estimate is based on actual figures for periods ranging from 9 to 11 months for the various provinces and departments. It is to be REGULAR ESTIMATE, 1872-73.

REGULAR ESTIMATE, 1872-73.

remembered that the remaining months for which we still await the actual figures, are of importance, and that notwithstanding all the care which can be exercised, many variations will probably occur between this estimate and the actual figures of the year when they shall be made up hereafter.

The budget for the year showed a surplus of £237,000 of income over ordinary expenditure. The regular estimate now shows a surplus of £1,354,000 or $1\frac{1}{3}$ millions, the estimated receipts amounting to £49,905,000, or nearly 50 millions, and the estimated ordinary expenditure to £48,551,000, or $48\frac{1}{2}$ millions.

The year has been generally propitious. The rains have been abundant; the harvests for the most part good, and, in some provinces, very fine. The condition of the people being prosperous, the revenues have flourished. Though the import trade has not been in a favorable position, and though some exports have fallen off, yet several staples of the export trade have advanced excellently. We have enjoyed immunity from misfortunes of season, and from those political contingencies and troubles which so often have disturbed financial arrangements.

There have also been special causes for the production of surplus, and once more I have to dwell on the fact that the surplus of the year is attributable mainly to gain in opium. In the budget £7,700,000, or $7\frac{3}{4}$ millions, were set down for opium receipts; but in the regular estimate there appear £8,677,000, or $8\frac{2}{3}$ millions; the difference in our favour amounting to £977,000, or nearly 1 million. Of the increase more than one-third (£369,700) is in the Malwa opium, the revenue of which has amounted to £2,614,700, a sum

which is so high as to be almost without precedent, even in this speculative division of the trade. The increase (£607,300) in the Bengal opium is not owing to the quantity, inasmuch as the number of chests is fixed under our system to within a very narrow margin, but owing to the prices rising beyond the rate assumed in the budget. The rate stood at Rs. 1,200, or £120 per chest in the budget; the actual rate has been Rs. 1,386, or £138-12*s.* per chest. It is hardly necessary to advert to the uncertainty which always hangs over the subject of prospective prices of opium. The result, as is so well known, may be affected by circumstances both in China and in India. We are not aware of any present circumstances in China which could be adduced as causes of the high range of prices. But in India there is one cause immediately apparent; namely this, that the poppy crop, which at the time of bringing forward the budget promised a fair yield, gave, ultimately, an indifferent yield. Instead of the 55,000 chests expected under the earlier condition of the harvest, there was in the end an out-turn of only 46,656 chests. Both figures include the supply for consumption in India itself. Thus, in the first half of the year, there was an apprehension of a somewhat short supply, a circumstance specially calculated to make prices rise and to maintain them at a high standard.

But, further, this comparatively short supply has affected the estimate in another direction. Less opium having been produced in the Bengal agencies, there has been less to be paid for than was expected. Consequently the payments, estimated in the budget at £2,323,000, have fallen in the regular estimate to £1,818,000, showing a diminution of £505,000.

REGULAR ESTIMATE, 1872-73.

Thus the difference in the opium estimate amounts on the receipt side to £977,000, and on the expenditure side to £505,000; in all to £1,482,000, or 1½ millions. Whether this difference is wholly favorable to the future of our finance may be a question. But that it more than accounts for the surplus in the current year is unquestionable. And it is the main support of the fortunate position of the financial year upon which I am commenting.

There has not been any marked increase under the heads of revenue in the regular estimates as compared with the budget estimates. Under most heads the budget estimate has been well sustained, and no more. To this, however, there are some exceptions to which I must advert.

The land revenue shows an increase of £329,000. This, to the extent of more than £100,000, has arisen from the payment in 1872-73 of revenue suspended in the Bombay Presidency at the end of 1871-72. The remainder of the improvement is due to the favorable season to which I have already adverted.

To the same general cause must be attributed the improvement of £82,000 under excise on spirits and drugs.

Under customs there is an increase of £61,000, due entirely to the great expansion of the export trade in rice.

In the post office, the receipts show a falling off of £213,000. This decrease is not, however, in the cash receipts paid in by the public, which are improving slowly, though steadily, but in the receipts from

official postage during the year. The new rules for the abolition of franking, and the substitution of official postage stamps, have fully come into force, and have caused economy to be exercised to a degree greater even than was expected. The reformed system causes every official to observe closely the charge that he incurs when transmitting letters on the public service, because that charge is rendered immediately apparent by the value of the stamp affixed. Consequently, the numerous public departments, having had their attention practically drawn to the subject, have exercised an unprecedented economy, not only in respect to the weight of their despatches, but also in respect to the mode of transmission. A large part of the despatches are now sent by the slower and cheaper transit; the more urgent letters only being reserved for the quicker and more expensive transit. And, inasmuch as by existing rules the value of official postage is credited in the receipts of the postal department, there is a decrease in the total of receipts. This is in some degree nominal, and is, so far, balanced by decrease of recorded expenditure under the several service heads. But it really represents a considerable saving in the cost of transmitting the mass of official letters throughout India. And, accordingly, the regular estimate shows on the other side of the account an actual decrease of £51,000 in the postal expenditure.

REGULAR ESTIMATE, 1872-73.

In the mint the receipts show a large decrease, which arises from the fact that the amount of silver bullion tendered by the public for coinage, on which a seignorage of 2 per cent. is levied, has been insignificantly small. I shall hereafter revert to this somewhat remarkable circumstance.

REGULAR ESTIMATE, 1872-73.

There is also some decrease in forest receipts. This is of less importance, inasmuch as it only indicates that the department has done less work than was expected, and has incurred less expense. As has been explained on previous occasions, this is a spending rather than a receiving department. And though we may continue to regret that its revenues do not increase faster, still we must always bear in mind that its main work, which it performs efficiently, is the preservation of the national wealth of forests with which India is endowed.

The net result on the receipt side of the estimate is an increase of £1,134,000, or upwards of one million.

On the expenditure side I will advert, firstly, to items of decrease, and, secondly, to items of increase.

There are savings and reductions in various civil departments, such as that of land revenue, decrease £54,000; of assessed taxes, decrease £17,000; of customs, decrease £10,000; of salt, decrease £23,000; of administration, decrease £27,000; of law and justice, decrease £144,000. To a considerable extent these decreases are due to the saving in official postage as already explained. The decrease under law and justice is partly nominal, owing to the exclusion of the receipts and charges for the service of processes in the Madras Presidency, which were included in the original estimates.

There is a decrease of £73,000 in marine charges by reason of less work being done than usual in the Bombay dockyard.

There is a large decrease, £52,000, under forests; but, as has been just seen, there has been a decrease of receipts also.

The decrease of £51,000 under post office has been just explained.

And the great decrease under opium has been already adverted to.

There is a reduction in army charges; the budget showed £15,862,000, whereas the regular estimate shows only £15,646,000, the difference less being £216,000, or nearly a quarter of a million. In both cases the total is satisfactorily low. But it must be remembered that (as stated in my last exposition) there has been a transfer of charge for certain barrack expenses from the military department to the public works department. After allowing for this, however, I believe that the estimate is indicative of strict economy.

This great item of expenditure is divided into two heads, namely, the charges incurred in India, and the charges incurred in England on account of India. The charges incurred in India may be summarized thus: The budget showed an expenditure of £12,100,000; the regular estimate shows £12,025,000; a decrease of £75,000. The decrease is owing to the postponement of the camps of exercise in the Madras and Bombay Presidencies, to the retirement of artillery officers and breaking up the head-quarters of the 24th Brigade Royal Artillery, to the abolition of the Poona depôt, to favorable market prices for grain and forage, to savings in the Military Account department, to a less outlay for clothing, barrack, medical, and ordnance supplies, and to a less expenditure for sea transport and non-effective charges. The estimated saving from these sources is about £238,000. On the

REGULAR ESTIMATE, 1872-73.

other hand, increased provision had to be made in the revised estimate for—

| | £ |
|---|---|
| The Looshai Expedition . .. | 25,000 |
| Camps of Exercise at Delhi (arrears) and Hussun Abdal ... . . | 8,000 |
| For two Regiments of Madras Native Infantry returned from China and the Straits | 22,000 |
| Asylums in the Madras Presidency transferred from civil to military estimates ... | 9,000 |
| Arrear charges, Order of British India .. | 15,000 |
| Special payments to artillery officers on retirement ... ... ... | 9,000 |
| Arrear charges, Overland Troop transports | 30,000 |
| Freight paid in India on Military Stores ... | 45,000 |
| £ | 163,000 |

Setting these increments against the savings, there appears a net saving of £75,000 upon the budget.

The expenditure of the army has been analysed with extreme care by the department over which my hon'ble colleague (General Norman) presides.

The military receipts in India were set down at £840,000, but the actuals for the first eight months of the year justified the revised estimate of £870,000. The causes of this improvement are the discharge purchase-money of British soldiers in India, and the messing contributions for passages by the overland troop transports, which are now credited to the Indian instead of to the Home Government; and the receipts, by a larger sale than was expected of stud cattle, clothing, medical and ordnance stores.

On the other hand a large credit expected in England was not realised, so that the decrease there neutralises the improvement in India.

For the charges incurred in England on account of India, the revised estimate shows a reduction of £141,200, of which £25,000 is in furlough allowances of Indian officers, owing to a decrease in the number of officers on furlough, and £100,000 are savings in military stores.

On the other hand, there are several items of increase on the expenditure side of the regular estimate.

The item of interest on service funds and other accounts rises from £527,000 to £584,000, mainly by reason of an adjustment of a claim with interest on the part of the Madras Civil Service Annuity Fund for sums overpaid by the fund to Government on account of the annuities.

There is an increase of £97,000 under minor departments. This is owing to a charge of £57,000 for stores in England which, under the old system, would have been entered under miscellaneous; to the completion of the general census of British India, the original provision for this important operation not having been found sufficient in some provinces; and to its having been found necessary to make a special grant in order that Indian products and fabrics may be worthily represented at the Vienna Exhibition.

The increase of £23,000 in the political charges arises from the transfer to this head of the Mairwára battalion; to the unforeseen expenses of durbars; and to additional charges on account of the late Yarkand mission and the Seistan arbitration.

REGULAR ESTIMATE, 1872-73.

There is a considerable increase of £240,000 under loss by exchange. It will be remembered that, in the budget, we calculated that the drawings by the Secretary of State would amount to 13½ crores of rupees during the year, at an average rate of 1*s*. 11*d*. to the rupee, which would represent a loss by exchange in round numbers of £500,000. It is now estimated that the bills paid will exceed 15 crores, at an average rate of 1*s*. 10¾*d*. to the rupee, representing a loss by exchange of £740,000. This sum of 15 crores includes the payment for a sum of £403,040, which was remitted to England in May last by bills purchased in India. The excess in the drawings was chiefly occasioned by a diminution in the amount of railway capital for India intended to be raised in England. Some of the capital (£1,100,000), for the receiving of which provision had been made, was subsequently countermanded as not being required. This diminution was very desirable, because the Indian treasury has still a large amount of unexpended railway capital in hand.

The increase of £278,000 in the allotment for provincial services is owing to additional grants having been found necessary—for Bengal of £113,500, chiefly for compensation for a court house made over to the military department as a hospital for the troops, and for the capitalisation of certain annual charges at the debit of the Imperial Government—for Bombay £107,400 for the construction of a small cause court house and of buildings required for the collection of the salt revenue—for Burmah £45,000, in order to enable the administration to execute various useful works which were urgently needed.

The increase of £216,000 in public works ordinary has occurred in consequence of its having been found necessary to assign additional funds for the prosecution of various works; and in consequence of the transfer to this head of items, which it was originally intended to defray from loan funds, but which are now found to be not properly so debitable.

The net charge for guaranteed railway interest was originally estimated at £1,800,000, but is now expected to amount to £2,117,000, or more than 2 millions, which is considerably larger than any sum ever yet shown on this account, and suggests serious consideration. This charge is made out in this wise: The guaranteed interest amounts to £4,665,000 on a capital sum of £95,000,000. Against this there is a set-off of £2,548,000, estimated net traffic receipts on 5,073 miles of open line, which receipts arise from £6,864,000, estimated gross traffic earnings, less £4,316,000, working expenses. The net traffic receipts deducted from the guaranteed interest leave the £2,117,000 as cost to the State.

The increase of the net charge upon the Government does not at all arise from the gross amount of the interest being in excess of the estimate; on the contrary, it is rather less by reason of the capital subscriptions being less than the anticipation; which circumstance aggravates the fact of the net charge being so much greater. What, then, are the causes of the excess? In the first place, there has been a change for the better in accounting, whereby the charges for the stores expended in working are transferred more rapidly than heretofore from the capital account to the revenue account. This has caused an unusually heavy debit during the current

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year. Then there has been a recurrence of disastrous floods, injuring or destroying masonry works on several lines, causing additional expense, and also interruption of traffic. Another cause is want of expansion in the traffic. Not indeed that the total of gross traffic earnings has actually declined; on the contrary, it was slightly greater during the last calendar year, 1872, than it has ever been. But it has remained almost stationary during the three years ending with 1872, notwithstanding that 400 miles of new line have been opened. In 1870 it stood at £6,247,000; in 1871 at £6,125,000; in 1872 at £6,275,000. This stagnation, on the whole, is the more remarkable, inasmuch as, during the period, the passenger traffic has steadily increased. Some 18 millions (18,048,547) of passengers travelled in 1870, whereas some 20 millions (19,907,781), or 2 millions more, travelled in 1872. But the goods traffic has not increased on the whole; while on some lines it has even declined. In my last exposition there was allusion to the special enquiry regarding the falling off on the East Indian line, which was traced partly to the state of the harvests and partly to variations in the rates. With a view to affording further inducements to traffic, the railway company have given prompt attention to the rates, and have judiciously reconsidered them. On the Great Indian Peninsula line there was disappointment in respect to the total earnings (notwithstanding increase in many articles) by reason of the falling off in the transport of cotton from the central regions of India to the port of Bombay. But, whatever special causes may be assignable in particular years, the main fact remains that the goods traffic has for some

years been either stationary or slightly retrogressive. And, whatever may have been the fluctuations in trade, it appears that the roads and rivers which compete with the railways have all this time experienced no lack of traffic. Thus, we cannot but fear that the railways are not used by the people as much as we might hope. And we must reflect more and more closely on the question whether the railway management and administration might not be more practically adapted to the needs and the habits of the country.

On the other hand, there has been no proportionable increase in the working expenses. Economy has been, and is being, enforced. The train service is more economically managed; the engineering establishments have been reduced; European agency has in many stations been replaced by cheaper Native agency. On some lines, especially the East Indian and the Punjab and Delhi, the diminution of expenses has been demonstrably great. On the East Indian line the percentage of working expenses amounted to 40·5 per cent. on the earnings, which will apparently bear favourable comparison with the corresponding percentage on some of the principal English lines: for instance the—

48 per cent. on the Great Northern,
45 „ on the Great Western,
45 „ on the London and North-Western,
45 „ on the Midland,

and the 47, average on the lines throughout England and Wales.

In order to show how far the lines are beginning to prove remunerative undertakings, I subjoin an abstract statement showing the percentage of profits on capital withdrawn for all the guaranteed railways

REGULAR ESTIMATE, 1872-73.

in India. It will be seen that on the whole systems, the percentage still falls short of the guaranteed rate of 5 per cent. : —

| NAME OF GUARANTEED RAILWAY. | 1871. Percentage of profits on capital withdrawn. | 1ST HALF OF 1872. Rate of percentage per annum of profits on capital withdrawn. |
|---|---|---|
| East Indian, Main ... ... ... | 4·90 | 5·98 |
| Ditto, Jubbulpore Extension ... ... | 1·23 | * 4·44 |
| Eastern Bengal ... ... ... | 3·07 | 1·84 |
| Oudh and Rohilkund ... ... ... | 0 22 | 0·38 |
| Sindh, Punjab, and Delhi ... ... | 0 14 | 1·16 |
| Madras ... ... ... ... | 2·69 | 2·76 |
| Great Southern of India ... ... | 1·91 | 1·52 |
| Carnatic ... ... ... ... | 1·71 | 1·92 |
| Great Indian Peninsula ... ... ... | 2·97 | 3·92 |
| Bombay, Baroda, and Central India ... ... | 2·66 | 5·16 |
| All Guaranteed Railways ... ... | 3·00 | 3·96 |

* Exceptional, owing to adjustments.

I may be pardoned for this brief digression, inasmuch as the finance of the year is affected adversely to the extent of £317,000 by the guaranteed railways.

The result on the expenditure side of the regular estimate, increase balanced against decrease, is a net increase of £17,000.

The total result, as already seen, is the surplus of £1,354,000 of income over ordinary expenditure.

Besides the ordinary expenditure there is in this the regular estimate an extraordinary expenditure on reproductive works of £2,307,000, or $2\frac{1}{4}$ millions, which amount corresponds fairly with that set down in the original estimate. Of the two great divisions, that pertaining to canals shows somewhat less

REGULAR ESTIMATE, 1872-73.

expenditure by reason of the postponement of the Sarda canal, while that of State railways shows somewhat more. The approximate agreement in this instance between the totals of the regular and of the original estimate is worthy of notice, inasmuch as in previous years the actual expenditure on these works has been much less than that proposed in successive budgets, the cause of the difference having been generally, delay in the maturing of the projects, and in the submitting of complete plans for sanction. But now that the organization of these works is in a more advanced state, the rate of progress becomes comparatively quicker; and, thus, the accounts of the year are presenting the largest expenditure ever yet attained in this branch. While, on the one hand, this result is satisfactory, as indicating the advance of material improvement, yet, on the other hand, it suggests precautions for maintaining strong cash reserves in the treasury to meet the rising demand for funds.

The surplus of income over ordinary expenditure is the out-turn of an estimate which, though made near the close of the year, may fail to accord entirely with the actual facts yet to be finally ascertained. But it may not be otherwise than opportune to pass in review the aggregate of surplus which has been obtained since 1869-70. The actual surplus then has been as follows:—

| | £ |
|---|---|
| 1869-70, actual ... ... | 118,669 |
| 1870-71 „ ... ... | 1,482,990 |
| 1871-72 „ ... ... | 3,124,178 |
| Add— | |
| 1872-73 (estimated) ... | 1,354,000 |
| TOTAL ... | 6,079,837 |

REGULAR ESTIMATE, 1872-73.

Allowing for some variation yet to arise in the surplus for 1872-73, we have a surplus for the four years of more than six millions.

It may be well to recall to mind the chief causes which have produced this important result. I say causes, inasmuch as it is attributable not to any one circumstance, but to a combination of circumstances.

One main reason has been the prosperity of the opium revenue. Within the four years, we have received from this source net (after deduction of expenditure) £3,894,140 in excess of the budget estimates. Year by year the opium estimate has received the approval of the Secretary of State as being prudent and in accord with the known facts of the time. The actual receipts, however, have proved larger than the anticipation. This, too, happened during a period when some authorities seemed to consider the Indian opium trade as threatened by serious competition from the expanding culture of the indigenous drug in China and even from the produce of other countries,—when the Indian opium harvests have been considerably below the average,—and when the area under poppy cultivation has not materially increased. Indeed the fiscal facts point to the conclusion that the demand in China for the Indian drug is firmly sustained. Doubtless the ability of China to pay a good price for the opium is maintained by the growing wealth and rising trade of that country.

The full increase (£2,980,554) which occurred in the opium receipts, and the full decrease (£913,586) in the charges, could not indeed have been entirely foreseen. But the occurrence of some improvement did not excite surprise, because the possibility of its occurring was

foreseen, inasmuch as the estimates were purposely made with cautious moderation. Looking to the disturbing elements to which some parts of the budget were exposed; looking also to the deficit which had extended over three years, the recurrence of which it was necessary to avert, we desired that the opium estimates should be made absolutely secure.

Another cause consists, no doubt, in reduction of expenditure. As shown in my last exposition, the total expenditure was in—

| | £ | |
|---|---|---|
| 1868-69 | ... 52,036,722, or 52 | millions. |
| 1869-70 | ... 50,782,452, or 50¾ | „ |
| 1870-71 | .. 49,930,695, or 50 | „ |

But the expenditure was in—

| | | |
|---|---|---|
| 1871-72 | .. 46,984,915, or 47 | millions. |
| 1872-73 (estimated) | 48,534,000, or 48½ | „ |

The expenditure on public works ordinary stood thus:—

| | £ |
|---|---|
| 1867-68 ... ... | 5,972,626 |
| 1868-69 ... ... | 6,632,135 |
| 1869-70 .. ... | 5,347,037 |

But the expenditure was brought down to £3,811,167 in 1870-71. And if the reduced grants of subsequent years be added to the public works charges transferred to provincial services, the total for 1872-73 will hardly exceed the last-named sum.

The army expenditure stood thus in—

| | £ |
|---|---|
| 1867-68 ... ... | 16,103,296 |
| 1868-69 ... ... | 16,269,581 |
| 1869-70 ... ... | 16,329,739 |

whereas in 1872-73 it stands at £15,646,000.

REGULAR ESTIMATE, 1872-73.

In the other branches of the service it was not possible to obtain so considerable a reduction. But in every department we strove to keep down the budget grants at the lowest amounts possible, and then to secure economy and saving even within the limits of those grants. The detailed rules which operate in the direction of economy were vigilantly observed, and adherence to them in all particulars was insisted on. The financial control exercised in the numerous civil branches did no doubt contribute to the production of the surplus.

Furthermore, among the main causes of the surplus are the measures passed during the four years by the authority of the Legislative Council, consisting of five Income-tax Acts. The revenue obtained under the operation of those Acts may be stated at net £4,453,232, or 4½ millions as seen below :—

| *Year.* | *Receipt.* | *Expenditure.* | *Net.* |
|---|---|---|---|
| | £ | £ | £ |
| 1869-70 | 1,110,224 | 41,701 | 1,068,523 |
| 1870-71 | 2,072,025 | 43,991 | 2,028,034 |
| 1871-72 | 825,241 | 29,566 | 795,675 |
| 1872-73 | 575,000 | 14,000 | 561,000 |
| TOTAL | 4,582,490 | 129,258 | 4,453,232 |

The total sum is equal to more than two-thirds of the amount of the surplus of six millions just stated. It is thus manifest that, without the income-tax, so large an aggregate of surplus would not have been obtained. And whatever may be the importance of other facts operating in combination, this fact alone proves the importance of the measures passed by the legislature during the period under review, and illustrates

the share they have had in the maintenance of our financial status.

REGULAR ESTIMATE, 1872-73.

If these 4½ millions be added to the proceeds of the direct taxation, including the license taxes imposed since the establishment of the budget system in 1860, the aggregate of receipts from this source will amount to 14 millions sterling.

A consideration of the past condition of our finances compelled us to do all that could properly be done for the purpose of obtaining a substantial surplus. The condition of deficit had been so serious for three years that it had become imperative to effectually obviate the risk of any future deficiency arising, and to ensure the application of an adequate remedy. At one time the cash reserves in the treasury were regarded as being too low for the demands of the public service. Effort was therefore made for the restoration of the cash balance to its normal strength. In regard also to the financial credit of the Government, it was desirable to prove that a state of deficit would be immediately superseded by a state of surplus.

We did not indeed make provision for so large a surplus as that which has accrued, nor was taxation imposed for that particular end. What we aimed at was financial safety supported by a moderate surplus. But as the surplus has proved to be so great, there is cause for satisfaction in the thought that there has been no new or heavy burden on the mass of the people for the benefit of the general revenue; that the income-tax was very limited in its incidence; and that, except for a period of eighteen months, it has been levied at a minimum rate.

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Further, I think that there are reasons for affirming that considerable as the surplus may have been, it has not been greater than what was needed in order to establish the finances in a strong position.

The accounts of the three previous years had shown deficit amounting, on the whole, to £6,299,216, or 6¼ millions of income as compared with ordinary expenditure, as will be seen thus—

| | £ |
|---|---|
| 1866-67 (11 months) ... | 2,517,491 |
| 1867-68 ... ... | 1,007,695 |
| 1868-69 ... ... | 2,774,031 |
| TOTAL ... | 6,299,217 |

I acknowledged this deficit expressly in my financial exposition on the 2nd April 1870; and added: "The "deficit being 6¼ millions, of which only 3½ can be ac- "counted for by the barracks and are susceptible of "special justification, it must be admitted that the "remainder, 2¾ millions, are due to excess of expendi- "ture accepted as chargeable against current income; "and represent deficit pure and simple without such "special justification."

This large deficit was twice noticed by the Governor General (the late Earl Mayo) in the Legislative Council, once in November 1869 and once in April 1871.

Against that deficit we may now set the surplus just explained. I would repeat the opinion stated in my previous expositions, that, if our finance is to possess stability, the deficit of some years must, at least, be balanced by the surplus of other years. From this point of view, it is seen that the greater part (though not quite the whole) of the above-mentioned deficit has been counteracted by surplus.

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In justice to Indian finance, however, it is to be noted that in one of the years just mentioned, namely, 1866-67, there were included only eleven months (owing to alteration of the financial year), which placed the exceptional period at a disadvantage. Also the preceding year 1865-66 was a year of surplus, shown in the financial statement at £2,766,068, but of which £1,028,089 we ascertained to be nominal, leaving £1,737,979 real surplus. If this circumstance be considered, then a similar result, namely, the balancing of deficit by surplus, will be apparent for the period previous to that on which I have been commenting. From the financial statements of my predecessors, the following years are found to be in deficit or in surplus respectively :—

*Deficit of income as compared with ordinary expenditure.*

| | | £ |
|---|---|---|
| 1860-61 | ... ... | 4,021,385 |
| 1861-62 | ... ... | 50,628 |
| 1864-65 | ... ... | 193,521 |
| | TOTAL ... | 4,265,534 |

*Surplus income as compared with ordinary expenditure.*

| | | £ |
|---|---|---|
| 1862-63 | ... ... | 1,827,346 |
| 1863-64 | ... ... | 78,347 |
| 1865-66 | ... ... | 1,737,979* |
| | TOTAL ... | 3,643,672 |

| | £ |
|---|---|
| Total shown ... | 2,766,068 |
| Deduct nominal | 1,028,089 |
| Leaving real ... | 1,737,979 |

In these years, then, which complete the period since the establishment of our budget system, the deficit is, for the most part, counteracted by surplus.

REGULAR ESTIMATE, 1872-73.

It may be impossible to prevent the occurrence of deficit in some years. Such occurrence may arise from any one of the many chances to which the country is exposed. But it ought to be possible to produce an equilibrium between income and ordinary expenditure if taken on a series of years. And if the period be reviewed since 1860, when the budget system was established in India, it will be found that we are not very far from attaining such an equilibrium between income and ordinary expenditure,—although an exact balancing of the account from 1860 to the present time might show that there remains something to be made up by means of surplus, if the principle, as above stated, should be accepted.

In stating the financial result, however, I do not intend to claim too great a degree of credit for our own proceedings. Something is due to causes beyond the control of the Government, though something also is due to policy and management.

I present, for the first time, a statement of the accounts of the system of provincial services announced in the Resolution of 17th December 1870; and commenced from the year 1871-72. The statement for these services is prepared uniformly with the imperial statement, and embraces the actual figures of 1871-72, the regular estimate of 1872-73, and the budget for 1873-74. I must explain, however, that this general statement is only a compilation from the detailed statements furnished by the several local Governments. There is some difficulty in the classification of the various heads of receipt and of expenditure, and in their proper distribution between provincial services and local funds. The organization of the system is not

sufficiently perfected to enable me to certify that the statement is entirely correct. The figures, therefore, as rendered by the local Governments are not as yet accepted by the Government of India. And, at the best, the statement chiefly consists of estimates from which the actual figures may differ largely hereafter. I present it, however, in the belief that whatever imperfections exist will be rectified within a short time.

To the allotments of the opening year 1871-72 were added the special assignment of £200,000, ratcably distributed among the various provinces as explained in my exposition of March 1871. It will be observed that in that year, 1871-72, there was an available amount of £5,713,933, of which the various local Governments expended £5,453,873, leaving a balance of £260,060 to be carried on to the next year; that in 1872-73 there was an amount (balance of former year added to fresh allotments) of £6,283,789, against which the local Governments have an estimated expenditure £6,391,181, leaving an adverse balance of £107,392 to be provided for from local resources, which resources are seen to be ample from the accompanying statement of local funds.

During the current year a circular was addressed to the local Governments, asking opinions as to the working of the system of provincial services; and the replies are unanimously and strongly in favour of the system. Improvement both in efficiency and economy, and abridgment of labour, are attributed to it by all the authorities consulted. Nothing has come to the knowledge of the Government of India to lessen the force of that conclusion. And from a financial point of view, we must acknowledge that the limitation of expense

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which the system has imposed on several of the departments most likely to expand, does materially conduce to the maintenance of equilibrium in the imperial budget, and contributes something towards the favorable result now exhibited for the general finance of the country.

It is to be remembered that the statement above alluded to relates only to the measure introduced by the Resolution of December 1870, which provides that certain allotments shall be made from the imperial exchequer for certain provincial services, and that the receipts derived previously from those services and credited to imperial revenues should be transferred to local revenues. It does not relate to the previously existing local funds and local expenditure; nor to the various measures of local taxation subsequently passed. For all these a separate statement is prepared.

I have not space enough to describe the details for each local Government; which details will, however, be found in the statement relating to local funds. But it may be noticed that, in every province, the provincial administration has been conducted at a cost fairly within the financial means available, and that, generally, a fair margin has been left. This is noteworthy as indicating that, together with enlarged local responsibility, there has prevailed a keener spirit of economy than heretofore, and a stronger desire to measure requirements by the standard of disposable resources. The closing balance of the local funds, if taken together with the closing balance of the provincial services, will show a net increase of available means.

In my last exposition a list was given of the new measures of local taxation in the various provinces of

India. Of these, however, some have been held in abeyance. In Bombay the levy of the non-agricultural cess has been suspended. In Madras that portion of the local taxation which related to houses has not generally been carried out.

From the above-mentioned list it might perhaps have been understood by some that all those measures were consequences of the provincial service resolution. I did not, however, intend to imply this. Some of the measures were consequences of that resolution, while others were not. The Bengal cess, and the Madras local taxation Acts, were in contemplation before the resolution was framed. In the North-West Provinces that portion of Act of 1871, which authorized the five per cent. cess in temporarily settled districts, did not impose any taxation, but virtually gave a new legal form to cesses previously existing or ordered.

The total amount received from the new local taxes imposed in consequence of the resolution during 1871-72 was only £144,000, and the amount for 1872-73 is estimated at £212,000. These amounts are relatively small, and afford perhaps the most satisfactory answer to those who apprehend that local taxation is likely, under the present system, to be carried too far. And certainly the vigilant attention of the Government of India has been, and is, directed to the subject, in order that due moderation may be observed in this important respect.

The total income of all local funds, including new local taxes, but excluding provincial service receipts, was for 1871-72 £4,399,191, and is expected to be £3,593,078, or $3\frac{1}{2}$ millions for 1872-73. The expenditure from these local funds was for 1871-72 £4,118,327, and for 1872-73

REGULAR ESTIMATE, 1872-73.

it is expected to be £2,967,601, leaving a balance in hand of £2,848,804 for commencement of the coming year.

Doubts seem to have arisen in the minds of some whether the provincial service system will not cause local taxation to be excluded from the revenue accounts of India; whether it will not relieve the imperial finance of expenses to be transferred to local finance; and whether it will not seriously aggravate the burdens of the people.

Now, the first of these objections was obviated from the beginning by the provision that there shall be provincial budgets appended to the imperial budget; to which provision effect is now given on this the very earliest opportunity.

It was not contemplated by the provincial service resolution to transfer imperial burdens to local finance to any appreciable extent. For certain heads of service a fixed annual allotment was determined by the Government of India for each local Government. The sum total was indeed less by £330,000 than the budget allotments of the year last preceding. But it was held that those budget allotments were somewhat more than what would have been permanently allowed even without the new system; and that in practice some savings within these allotments were actually being made by the local Governments themselves. Thus the reduction did not amount to much in reality. And, at all events, it bore but a small proportion to the total in question, namely, 5⅓ millions. The new allotments were in fact made on a calculation of what the local Governments were being allowed to spend. Thus the allowance made was such as the local Governments might be reasonably expected to work with. And they have actually worked within it since the provincial service

system has come into operation. It was no part of the policy eventually adopted to cut down the allowances to an insufficient limit, and leave the local Governments to provide the remainder. The objects of the scheme were indeed more administrative than financial. And that the allotments are on experience found sufficient is proved by the statement which I now present. REGULAR ESTIMATE, 1872-73.

As to the system aggravating the burdens of the people,—no such effect was intended by the Government of India. That no such consequence has yet arisen is proved by the facts I have just recited.

I thus come to the third part of my subject, namely, the budget for the coming year, 1873-74. BUDGET, 1873-74.

The first and most important item on the receipt side is that of land revenue. In the last budget the amount was £20,900,000, which was stated to be (if adjustments and transfers were set aside) the largest sum ever presented under this head. That estimate is, however, exceeded by the regular estimate for the year. And in the present budget the amount will be seen to be again somewhat larger, namely, £21,180,000. The slow but steady growth of this our greatest branch of revenue is satisfactory; especially as it accrues at a time when revised settlements are in progress in several provinces of India, north, south, and west. The increase is not indeed proportionate to the known augmentation of the agricultural resources of the country and to the rise in prices. Indeed the revised assessments are avowedly and intentionally made more moderately than any previous assessments in proportion to the means of the people.

It will be recollected that the rainfall during last summer was abundant, and that the harvest and crops,

BUDGET, 1873 74.

with but few exceptions, have been good throughout India.

The returns of canal irrigation during the year have been less than was expected, and this is attributed to the diminished need of irrigation after the abundant rainfall. The estimate for the next year, £478,000, is set down at a slight increase. Doubtless some expansion of irrigation from the canals of Northern India is to be looked for, though certainly the growth is but slow as yet.

The decrease apparent under excise, £100,000, is partly balanced by a decrease in expenditure, £39,000, and is, to some extent, due to the exclusion from both sides of the account of the cost price of opium consumed in the Bombay Presidency. A portion of the decrease is also due to the fact that, during the current year, the excise in some provinces still included, as a receipt, a portion of the gross price of opium paid for in former years, which receipt will be necessarily less in the coming year. This is connected with the arrangement mentioned in my last exposition, whereby the cost price of opium retailed in India is to be credited directly to opium, and not intermediately to excise. Some small portion of this revenue has also been surrendered to certain cantonments.

The relative merits or demerits of the system of central distilleries, as compared with the old farming system, have been often discussed and sometimes pressed upon our consideration. While prepared to admit such modifications in the central distillery system as may be found expedient in practice, the Government have adhered to the principle of that system, namely this, that the excise shall be administered not so much for the augmentation of the revenue as for the welfare of society; that everything conducive to the encouragement of the

excessive use of drugs and spirits shall be avoided; and that our aim shall rather be to levy the maximum of duty on the minimum of consumption.

The heading of assessed taxes shows a sum of only £10,000. This comprises the arrears due under the Income-tax Act of 1872-73, which still remain to be collected. That Act expires on the 31st March 1873. And the Government have decided not to propose an Income-tax Act for 1873-74.

The next item calling for remark will be that of customs, for which £2,649,000 are set down, being nearly the same sum as that which is shown in the regular estimate for the current year. This amount is somewhat in excess of the amounts shown in the past budget, 1872-73, and in the actual account of 1871-72. It may excite remark that there should be this increase at a time when trade is known not to be flourishing generally, and when especially there has been some falling off in several dutiable imports. But the cause of the fiscal increase, on the whole, has been the very favorable condition of the export trade in grain, which grain mainly consists of rice exported from Bengal Proper and from British Burmah. The rice is sent chiefly to the United Kingdom and to the continent of Europe, partly also to the Persian Gulf and to the British colonies, in quantities annually increasing, as will be seen thus:—

| | 1869-70. | 1870-71. | 1871-72. | 1872-73 (9 months only). |
|---|---|---|---|---|
| | Cwt. | Cwt. | Cwt. | Cwt. |
| Rice exported from India to foreign countries .. | 10,614,644 | 16,087,813 | 17,311,285 | 15,692,340 |

BUDGET, 1873-74.

It is hardly necessary to dilate on the importance of this exportation of an agricultural product, which is specially Indian, and which is an article of food for the nations of Europe.

At one time an apparent discrepancy was discovered between the Indian return of rice exported nominally to the United Kingdom and the English return of the same article imported into that country, the former being in excess of the latter. This, however, has been on enquiry accounted for by the fact that the vessels which carry rice destined for the continent of Europe clear nominally for the United Kingdom and call at the channel ports; and there, without unloading their cargo, wait for orders, on receipt of which they proceed to the continental ports. The cargoes of such vessels would necessarily appear in the Indian returns as exportations to the United Kingdom, but would not appear in the English returns at all. Consequently the Indian returns would be *pro tanto* in excess of the English; and hence the discrepancy which is thus accounted for.

The trade returns for 1871-72 have recently been published. It will therefore have been already seen how the total return of that year, the last completed year, was, on the whole, one of the largest ever known in British India, and the best that has occurred since the close of the American War, and since the period when the exportation of Indian cotton was so abnormally high. The total value of the trade of 1871-72, merchandise and treasure together, amounted to more than 107 millions sterling; and this large amount is brought out notwithstanding the fact that the imports of merchandise were somewhat low, amounting to only

31 millions in value. The real cause of the magnitude of the aggregate, then, is the amount of the exports which rose to the high value of 63 millions sterling. With the exceptions of three articles, raw silk, saltpetre, and seeds, there was an increase all through the list of our export staples. The cotton export, though far from being the highest known, yet amounted to 809 millions of pounds or 2 millions of bales at 400 lbs. per bale. The jute export rose to the unprecedented amount of 6 millions of cwts.; the rice export to 17 millions of cwts. These are the three most important of our staples. Two articles specially interesting to our countrymen in India, namely, tea and coffee, have in this return a more favorable place than ever: the export of coffee amounts to 56 millions of lbs., and that of tea to 17 millions of lbs.

In my last exposition attention was drawn to the magnitude of our exports, and encouragement was thence derived as to the future prospects of the country. The total value of the exports then amounted to 55 millions sterling. But now another year's figures are before us, and the total has risen to 63 millions.

But although the past year, 1871-72, has in this respect ended so well, there is every reason to fear that the outturn of the current year, 1872-73, will be less favorable. Up to a recent period the prices of cotton have been comparatively low, and the export has fallen off. There is also a serious decline (under the heading of oilseeds) in the exportation of rapeseed: but as this arises from a failure of the crops of this staple in some districts, it will prove, we hope, to be but temporary. The importation of British piece-goods shews some tendency to decline; and the condition of that

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important branch of trade does not seem to be considered satisfactory by those engaged in it. The exportation of jute (fibre) is very large, and that of rice continues to flourish.

The influence of the Suez Canal upon the trade of India is becoming more and more marked every year. I subjoin a table of the value of merchandise (excluding treasure) from Bengal, Sindh, and Burmah, which has passed through the canal during the three years that have elapsed since its opening. Returns have not been received from Madras and Bombay:—

| | 1870-71. | 1871-72. | 1872-73 (11 months). |
|---|---|---|---|
| *Bengal.* | £ | £ | £ |
| Imports ... ... ... | 6,289,414 | 8,682,250 | 9,097,286 |
| Exports ... ... .. | 2,154,254 | 5,454,772 | 5,385,485 |
| Total ... | 8,443,668 | 14,137,022 | 14,482,771 |
| *Sindh.* | | | |
| Imports ... ... ... | ... | 30,708 | 59,595 |
| Exports ... ... ... | ... | 88,158 | 131,450 |
| Total ... | ... | 118,866 | 191,045 |
| *British Burmah.* | | | |
| Imports ... ... ... | 29,680 | 273,462 | 724,627 |
| Exports ... ... ... | 16,978 | 149,956 | 398,891 |
| Total ... | 46,658 | 423,418 | 1,123,518 |
| *Grand Total.* | | | |
| Imports ... ... ... | 6,319,094 | 8,986,420 | 9,881,508 |
| Exports ... ... ... | 2,171,232 | 5,692,886 | 5,915,826 |
| TOTAL ... | 8,490,326 | 14,679,306 | 15,797,334 |

The amount for Bombay must, in all probability, be nearly equal to that for Bengal, 14½ millions for eleven months of 1872-73. Thus the figure for Bombay may be assumed at 14 millions sterling. Judging from the proportion of the vessels employed in the Madras trade, I assume that the amount for Madras cannot be less than 6 millions. In this way, the aggregate value, actual and estimated, will not fall short of 36 millions sterling.

If the total annual value of the entire foreign trade of India be taken at 100 millions, it would then appear that a portion represented by 36 per cent. in value of the trade of India is passing through the Suez Canal within three years of its opening.

The above comparison is not however strictly relevant, because it includes a large quantity of merchandise which, belonging to the Eastern and Southern trade, could not possibly pass through the canal. A test can best be had from a comparison with the trade of India with Europe and America. The value then of the merchandise (excluding treasure) of the trade of India with Europe and America during 1871-72 amounts to £69,635,773, or 69¾ millions. As already seen, the value of the merchandise passing through the canal during 11 months of 1872-73 amounts to 36 millions, which gives a percentage of 51 upon the 69¾ millions. It is thus evident that more than half of the trade of India with Europe and America is already passing through the Suez Canal.

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I add a table of the number and tonnage of vessels which passed through the Suez Canal to and from India during the last three years :—

| YEARS. | | BENGAL. | | BOMBAY. | | SINDH. | | MADRAS. | | BRITISH BURMAH. | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Vessels. | Tons. | Vessels. | Tons. | Vessels | Tons. | Vessels. | Tons. | Vessels. | Tons. | Vessels. | Tons. |
| 1870-71 | Entered... | 56 | 56,353 | 58 | 58,566 | ... | ... | 34 | 37,837 | 5 | 3,780 | 153 | 156,536 |
| | Cleare'... | 40 | 43,438 | 77 | 74,828 | 1 | 576 | 11 | 12,568 | 6 | 5,416 | 135 | 136,826 |
| TOTAL | ... | 96 | 99,791 | 135 | 133,394 | 1 | 576 | 45 | 50,405 | 11 | 9,196 | 288 | 293,362 |
| 1871-72 | Entered .. | 89 | 109,175 | 90 | 93,258 | 6 | 4,022 | 50 | 63,146 | 19 | 14,843 | 254 | 284,444 |
| | Cleared .. | 85 | 105,065 | 90 | 91,303 | 2 | 1,637 | 24 | 28,470 | 17 | 13,625 | 218 | 240,1.0 |
| TOTAL | ... | 174 | 214,240 | 180 | 184,561 | 8 | 5,659 | 74 | 91,616 | 36 | 28,468 | 472 | 524,544 |
| 1872 73 (11 months) | Entered . | 81 | 107,570 | 118 | 132,949 | 5 | 4,390 | 57 | 78,737 | 62 | 64,107 | 323 | 387,753 |
| | Cleared .. | 66 | 91,226 | 100 | 101,987 | 6 | 5,390 | 27 | 39,087 | 50 | 49,375 | 249 | 287,065 |
| TOTAL | ... | 147 | 198,796 | 218 | 234,936 | 11 | 9,780 | 84 | 117,824 | 112 | 113,482 | 572 | 674,818 |

It is thus seen that in the eleven months of 1872-73 there have passed through the canal 572 vessels with 674,818 tons.

As the shipping annually engaged in the trade of India with Europe and America is represented by an average of 2,687 vessels and 2,760,242 tons, it follows that 21 per cent. of the number of vessels and 24 per cent. of their tonnage pass through the Suez Canal already.

The comparison refers to merchandise only. There is also the treasure, the amount of which fluctuates greatly from year to year. At present it is for the most part carried by vessels of the Peninsular and Oriental Steam Navigation Company, which vessels have seldom made use of the canal.

In my last financial exposition the fact was adverted to that for the latest completed year (1870-71) the import of treasure amounted to only $5\frac{1}{2}$ millions sterling—a very low sum as compared with the average of preceding years (14 millions). The importation was however stated to be then on the increase. And accordingly for 1871-72, the import of treasure stands at $11\frac{1}{2}$ millions. But during the current year 1872-73 the influx of treasure has for the most part ceased. The quantity of bullion presented for coinage at our mints at Calcutta and Bombay is very small, and it may be said that the mint establishments are for the time in a state of unavoidable inaction. The proximate cause is not far to seek, and is found in the condition of the exchange between India and England. The exchanges have been, for Secretary of State's bills, on the average rate of 1*s*. $10\frac{3}{4}$*d*. to the rupee, and have not since May last reached 1*s*. 11*d*., which rates are of course unfavorable to India. A discussion of the causes again of this low range of the exchange rates would exceed the limits of this exposition. But the diminished values and quantities of the cotton exports immediately suggest a reason. And another reason is doubtless connected with the inevitably large drawings upon India by the Secretary of State in England, now that India has to remit annually the sum of her whole debt to the home treasury, without any assistance being derived from the capital payments in England by the guaranteed railway companies of India.

In my last exposition I endeavoured to shew how necessary it is for India that she should be able to sell progressively large quantities of her produce to other nations, in order that she may have the means of

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arranging for the annual remittance of her great debt to England, now more than 13 millions sterling a year. From this point of view the returns for the last complete year, just commented on, are eminently satisfactory, as proving that India, by the development of her export trade, is duly providing herself with such resources.

I have thus dwelt for a few moments on the condition of our trade, because it affects, not only our customs revenue primarily, but secondarily several other items in the budget, such as the mint receipts, the loss by exchange, the net traffic receipts of the guaranteed railways, and also to some extent the prices and returns of opium.

For the next item, salt, a sum is taken nearly in accordance with the regular estimate of the current year, the fiscal yield remaining stationary. The various rates of the salt duty which prevail, and the various modes of levying the duty, in the several provinces of India, have been carefully considered by the Government.

The sum set down for opium is £7,500,000, or $7\frac{1}{2}$ millions, being somewhat less than the $7\frac{3}{4}$ millions set down in the last budget, and considerably less than the $8\frac{3}{4}$ millions which will be received during the current year. The estimate consists of two parts: one relating to Bengal opium, the other to Malwa and Bombay opium.

For the Bengal opium the quantity is small, consisting of 31,500 chests taken from the supply of the harvest of 1872, for three quarters of the financial year 1873-74; and 11,250 chests for the last quarter to be taken from the harvest of 1873, in all 42,750 chests. The harvest of 1873 is not yet gathered, and its outturn cannot be

confidently predicted. The early promise was good, but subsequently doubts arose which have not been altogether removed. An abundant yield is hardly hoped for now. But whatever the yield may be, we do not intend to take from it more than what may suffice to make up a certain supply for the calendar year 1874. It is not intended to sell more than 45,000 chests in that calendar year. The expectation is that the yield of the present crop will suffice to provide at least that number of chests, though on this point no guarantee can be given. But if, as we hope, the yield shall be in excess of this standard, then the surplus quantity will be devoted to forming a reserve supply of chests on which we may draw in order to make up for future deficiency of harvest. The object in view is to prevent any considerable variation in the supply from year to year, and to promote steadiness in the prices. The attainment of this object, though always kept in view, has been of late retarded by the unpropitiousness of the seasons for two consecutive years.

The average price has been assumed at Rs. 1,200 or £120 per chest. This is less than the average of the prices, as explained to-day, which have prevailed during the current year. But the tendency for the last few months has been slightly towards decline, and the contingency of a fall in prices must be guarded against. In the last budget the estimate of Rs. 1,200 or £120 per chest was considered to be as high as the then existing circumstances would warrant. The prices are now considerably lower than they were then. Still, in consideration of the present state of prices, and the small supply that we are providing for sale, it is thought that we may assume the same average price without overstepping the

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bounds of prudence. It cannot be too often repeated in financial expositions that a safe and moderate estimate of the opium revenue is one of the mainstays of our finance.

The estimate of the Malwa opium revenue is framed on the calculation of 37,050 chests being brought forward for exportation. Under the circumstances of the trade, and the known facts of the past and the current year, this expectation for the coming season seems to be sufficiently well founded.

The estimated exports of the Malwa opium, combined with the comparatively certain sale of Bengal opium, will bring up the probable total supply for the Chinese market during the year to 79,800 chests.

The stamp receipts show an increase of £51,000, which is wholly nominal, owing to the intended collection, for the first time, of fees for the service of processes in Madras by means of stamps. Otherwise, these receipts are taken at the same amount as that shown in the regular estimate. In my last exposition I described the growth of this branch of revenue in recent years. The development must now be gradual, concurrently with the progress of wealth, activity and enterprize. The use of adhesive stamps, in substitution of the old impressed stamps, has been ordered for nearly all departments and classes of documents, with a large saving of expense and labour. The adhesive stamps are being prepared in England with the advantage of precise mechanical execution. Notwithstanding the opinion entertained by some that the method of affixing stamps will afford some opportunities of forgery and malpractice which were not afforded under the system of impressed stamps, we trust that with the use of adhesive

stamps forgery and malpractice will be more difficult than ever; and in this view we are supported by the experience of the postal and telegraphic departments.

The mint receipts are set down at the very low amount of £40,000, which is based on the apprehension that no more than two millions sterling worth of silver bullion may be presented for coinage during the year. For the current year a much larger amount (8 millions worth) was anticipated in the budget, the matter being avowedly one of much uncertainty. But, as has been explained to-day, the actual amount proved to be insignificant. And at present the promise for the future is hardly more favorable. Bullion is not flowing into the country; the mints are still inactive; the rate of exchange is lower than usual at this season of the year.

The postal receipts are estimated at a sum (£719,000) which is more than the amount received during the current year, but, on the other hand, less than the actual amount of the past year (1871-72). The great fluctuation in the receipts of the current year in official postage has been already explained to-day; and the same cause will continue to operate beneficially in keeping down the official postage during the coming year. But there will, it is hoped, be some slight advance in private postage; and a large increase is caused on both sides of the account by the incorporation in the postal account of the receipts and expenditure for certain services hitherto recorded separately.

The estimate of electric telegraph receipts in India shows a slight increase, which is justified by the increase of private messages under the improved tariff introduced two years ago. But the receipts of the Indo-

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European line have fallen off by reason of the competition of private companies; and this causes the total (£225,000) to show no increase, and even a slight decrease.

The slight diminution in the receipt under interest has occurred in the home estimates. In India the item stands well, being chiefly derived from the investment of a part of the specie reserve of the paper currency, which investment has been brought very nearly up to the limit of six millions fixed by law.

Under the head of railway receipts the gross traffic earnings of the new state railways are beginning to appear: for the present year the amount is small, being only £39,000; doubtless it will grow year by year as the lines are opened.

The rest of the item consists of the gain by exchange on the sums received in India on account of the guaranteed railways under the arrangement explained more than once in my previous expositions. As the traffic receipts are large, and as the payments for the construction of the lines are becoming small, the net gain on this exchange account is considerable. Questions have been raised whether the rate of 1*s.* 10*d.* to the rupee fixed in 1849, whereby the payments and receipts are accounted for to the principal railway companies, is a just one in the interests of India. Having seen the working of the arrangement for some years, I may declare my belief that it is quite just. Until recently the result of the transaction was a net loss to the Indian treasury; but in the present, and probably for the future, the result will be net gain. It may be said that the actual rates of the exchanges have been high heretofore, but are now

lower, and are likely to continue low; and that thus while we were losing, the loss was computable at a high rate, and when we shall be gaining, the gain will be computable at a low rate. This may prove true, but, on the other hand, the period of loss has been comparatively short, and the period of gain will probably be long; and, on the whole, I infer that the arrangement of 1849 was made with skill and foresight.

The total of receipts is set down at £48,286,000, or £48¼ millions.

On the expenditure side the first item is that of interest on the funded debt. This accrues in nearly equal portions in England and in India. The portion in England shows some slight diminution (£25,000), due to the expected conversion of 5 per cent. sterling debentures. The portion in India shows a larger reduction, as it is set down at £2,792,400, whereas in the current year it is estimated at £2,872,100, and in the past year it amounted to £3,032,672. This diminution is due to the conversion operations explained in my last exposition, whereby the interest on 16½ millions of debt was reduced from 5 to 4½ per cent., with prospect of further reduction to 4 per cent. Moreover, in the early part of the current year, it was considered that some small part of the cash balances might be safely invested, for a time, in Government securities, and thus yield a profit to the exchequer until such time as it might be required for the public service. With this view a million sterling was applied to the purchase of Government securities, producing a saving in interest here shown of £46,000 for 1873-74. This saving was for the most part realized in the year 1872-73 also, but then there was a debit of

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the premium paid upon the promissory notes purchased.

The items of interest on service funds and other accounts, and of refunds and drawbacks, do not seem to require remark.

In the charges connected with the land revenue there is a slight tendency to increase, by reason of the settlement operations in progress in several provinces. This outlay will, however, prove beneficial, and its good effect has been already seen to-day on the receipt side of the account.

The items of expenditure on forest, excise, customs, salt, opium, stamps do not seem to require further remark here.

The mint charges show a reduction, as might be expected after what has been explained regarding the slow influx of bullion. It is impossible to reduce fully these highly organized establishments in reference to a cessation of work, of which the resumption may become necessary at any time, under circumstances which cannot now be foreseen.

The increase shown under the head of post office does not indicate any expansion of the regular establishment. On the contrary, the establishment is being reduced to some extent. It arises from the incorporation of the accounts of certain separate services, as has been already explained on the receipt side. In the electric telegraph there is a slight decrease, which occurs in the home estimate. In reference to the slow growth of the income of the department, it is much to be wished that this expenditure could be lowered.

The items of administration of minor departments, of law and justice, and of marine, exhibit no noteworthy change.

The grant for ecclesiastical services (£157,000) provides for vacancies in the roll of the chaplains being filled up, so that this important establishment may be maintained at its present complement.

The political charges are set down at some increase, £70,000, to meet the various requirements of the political service.

The heading of loss by exchange shows an increase of £110,000. The Secretary of State has warned us that he must raise by bills during the year 13½ millions sterling. And, after consulting the best authorities on the spot, we have assumed a rate of from 1-10½ to 1-10⅝ to the rupee, which gives an estimated loss of £850,000.

The miscellaneous heading shows a large decrease as compared with the current year. This mainly arises from the circumstance that the heading had become swollen by certain payments under decrees of the Privy Council, which will not recur.

The allotments for provincial services are set down at £5,156,000, or 5⅛ millions, a sum slightly below that of the regular estimate, which includes various grants that will not re-appear. I need not add anything here to the explanation already given in respect to this important branch of the expenditure.

The army charges are estimated at £15,524,000, or 15½ millions, showing a decrease of £122,000. This is the lowest amount set down for the army since the year 1863-64.

The revised estimate of military expenditure in India during the current year, 1872-73, for reasons already explained, was reduced to £12,025,000. But this included extraordinary charges for the Looshai expedition,

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£75,000, arrear charges for the overland troop transport service, £30,000, arrear charges of the Order of British India, pay to the Native Army, £14,000, and special payments to Artillery officers on retirement, £9,000,—amounting in all to £128,000. Deducting this sum from the aggregate estimate, there will remain £11,897,000 as the estimated ordinary expenditure of the year 1872-73.

For the coming year 1873-74 the budget is for £11,845,000 in India, or £52,000 less than the estimated ordinary expenditure of the preceding year. In framing the budget, regard has been had to the actual experience of the past and current years: Abatement has been made for officers of the staff corps and general lists, who have elected, or may elect, to reside in England under the provisions of the order of 1st August 1872. The stud expenditure has been curtailed, consequent upon the reductions recently ordered by Government. The provision for supplies in the commissariat, barrack, and ordnance departments has been made on the lowest scale compatible with the actual requirements in each case. The extended employment of the overland transport service, and the diminution of reliefs of troops between Indian ports, will admit of a reduced provision. Then, we have not this year to make provision on account of any military expedition.

There is indeed a net increase of £62,500 in that part of our military expenditure which is incurred in England. On the one hand, there is an increase of £120,000 on account of clothing and ordnance supplies, and from the recent extraordinary rise in the price of iron work and other stores; also an increase of £50,000

in the item of retired pay of officers of the Indian service consequent on the retirement of a large number of officers of the Royal Artillery, and the succession to Colonel's allowance of many other Indian officers. On the other hand, there is a decrease of £108,000 in the cost of troop transport service, and of £20,000 in retired pay of troops which have served in India.

The grant for public works ordinary stands at £2,354,000, or $2\frac{1}{3}$ millions. It will be remembered that this amount is irrespective of the grant for roads and civil buildings which is included in the allotments for provincial services. It thus relates only to particular civil works which still remain under the direct financial control of the Government of India, and to military works for the accommodation of the troops. Out of the above sum the portion relating to the military service amounts to £1,150,000.

The charge for guaranteed railway interest, less net traffic receipts, is set down at £1,790,000, or $1\frac{3}{4}$ millions. This may be considered as an average charge in the present period. The gross payment for this interest is taken as £4,690,000. From this sum there is an abatement of £2,900,000 net traffic receipts (after deduction of working expenses), which leaves the amount of £1,790,000 above shown.

The charge is £327,000 less than that which we expect to have to pay this year, but I have already explained that the unfavorable result during the current year is largely due to circumstances which are not expected to recur.

The total ordinary expenditure is set down at £48,066,000, or 48 millions.

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The total ordinary expenditure, compared with the total receipts already shown, leaves a small surplus of £220,000.

Besides the ordinary expenditure, as above explained, there is set down a proposed extraordinary expenditure of £3,878,000, or more than 3¾ millions, on public works, of which £1,266,000 are for canals of irrigation, and £2,612,000 for state railways. The irrigation works on which progress is being made are the canals from the Jumna near Agra, the lower Ganges canal, the canal from the river Soane, and the completion of the canal system in the deltas of the Kistna and the Godavery, the improvements of the western Jumna canal, and the Moota project in the Bombay Presidency. The state railways consist of the line from Agra to Jeypur, the Sambhur salt lakes, and Ajmere; the line from Rewaree to Ulwur to join the last named railway; the line from Lahore towards Peshawur, where the operations are chiefly directed to the bridges over three great rivers; the Indus valley line; the Wurda line to the coal mines near the Nagpur country; and the Holkar line from Nimar to Indore. Perhaps doubt may be felt whether a sum in itself so large, and so much larger than the sum expended in any previous year, can be advantageously laid out during the coming year. But the expenditure on the canals is to be much the same as that which is shown for the current year, and the plans and designs, as already explained, are mature. The proposed increase is to be found in the state railways, which lines have been sanctioned and are in the hands of contractors, whose interests and obligations impel them to strive for completion within specified periods; and the capacity evinced by them

warrants the belief that they will punctually perform their allotted tasks. Moreover, a considerable part of the expenditure is for stores in England, which, doubtless, will be provided in the manner laid down. It would, therefore, be prudent to be prepared for the demand of the $3\frac{3}{4}$ millions for this important outlay, the progress of which must immediately promote the wealth and power of the country, and the delay of which would represent so much advantage lost.

But, in relation to this, we must remember the state of the estimate appended to my last exposition, styled "the estimated account of money raised by loan for reproductive works and of extraordinary expenditure" for 1871-72. The account showed a balance of £2,648,185 of loan money to be carried forward to 1872-73. The actual account now presented shows a balance of £3,814,366; and an estimate in the same form shows that by the end of the current year the loan money will have been exhausted, the net amount borrowed being in excess of the net expenditure on reproductive works by £266,194.

This result entirely accords with the expectation held out in my last statement.

Up to the end of 1872-73 the extraordinary expenditure has been defrayed out of the cash balances augmented by loans previously raised for this purpose. But in 1873-74 it is to be defrayed from the cash balances without any such augmentation. That this should be found possible is a circumstance affording cause for much satisfaction. And the statement of the cash balances which I shall presently make will amply testify to the possibility.

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If it be thought strange that our cash balances should be so strong as to bear the drain of $3\frac{3}{4}$ millions for these works without any borrowing, then we must remember that there is still an excess amount of money, $2\frac{1}{4}$ millions, in the treasury, which belongs to the railway capital account, as I shall presently explain; to which extent the cash balances are abnormally augmented. Then there is the accumulated surplus on the ordinary account of several past years. It is true that this surplus may be regarded as recouping the deficit of previous years, as already shown in this exposition. But it is to be remembered that, in the years when that deficit occurred, there was borrowing both for ordinary purposes and for extraordinary public works, as shown in my exposition for 1869-70 on the 6th March 1869; that is, $6\frac{1}{2}$ millions were borrowed, out of which 3 millions were expended on public works extraordinary. In this way the fact of the balances being able to bear the present strain will be fully accounted for.

In a former part of this exposition I have shown that the deficit from 1866-67 to 1868-69 has been nearly counteracted by the accumulated surplus from 1869-70 to 1872-73. Accordingly, there ought not, at the present time, to be any increase over the debt at the close of 1865-66 on account of the deficit of the three following years. But I showed in my statement of 6th March 1869 that for meeting that deficit three and a half millions were borrowed. Hence, it is expedient and proper that the three and a half millions which we have on hand from the surplus of the three years now expiring should be employed on public works extraordinary in the stead of an equal amount of borrowing. This will have the same effect on the public

debt as if it had not been increased by 3½ millions for meeting the deficit from 1866-67 to 1868-69; or, in other words, the arrangement will be virtually equivalent to a diminution of debt.

In previous expositions I alluded to the doubts apparently entertained in some quarters, first, as to whether the loan money has been really applied to the public works extraordinary, and, secondly, whether a proper account is published annually of these moneys and of this expenditure. I have now presented three yearly accounts of these transactions, from the beginning of 1869-70 to the end of 1872-73. That account must now be regarded as closed, inasmuch as we are now to carry on the works without having any loan money in hand. And as the Government of India has desired to discharge fully its obligations in respect to these transactions, I append an additional abstract of this account for the four years 1869-70 to 1872-73 inclusive.

It has been urged that, in order to prove that the loan money has been rightly applied to the works for which it is intended, there ought to be accounts annually published, demonstrating this to be the case. The statements above adverted to are accounts of this nature. Whatever differences of opinion there may be as to the form of such an account, the substance of it ought to be this, that on one side there should be all the loan receipts, and on the other side all the expenditure on the specified classes of works. And this is exactly what these statements show. On the one side there are the several loans, item by item, embracing all the loan transactions of the Government of India for the period; on the other side there is the expenditure—divided into the

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three heads, irrigation, state railways, and advances to municipalities,—and embracing all the disbursements under that category. The receipt side of the statement depends on the accounts audited partly at the India Office in London, and partly by the Comptroller General at Calcutta; the expenditure depends on the accounts passed by the public works auditors, and as regards municipalities on accounts audited by the Comptroller General.

But another account will be required to show how far the works become profitable and how far they repay the interest paid by the State on the capital borrowed for their construction. It is to be remembered, however, that the works undertaken since 1869-70 are quite incomplete, so that with insignificant exceptions there can be neither income nor working expenses.

As regards the transactions with municipalities, this account would be simple; on the one side, so much interest paid by the treasury on the loan funds advanced to the municipalities; on the other side, so much recovered from municipalities in defrayal of the said interest, or in repayment of the advance.

As regards state railways the case is also easy, as their accounts will be kept in the manner so well established for the guaranteed railways.

As regards canals there is some difficulty, which I must pause for a moment to explain.

So much of the canal income as is represented by water-rent is, and always has been, shown in the accounts; so much as arises from improvement in the land revenue is not so easily shown. For the future, in the Bengal Presidency, where the largest works are to be undertaken, the canal laws contain provisions in

regard to the rating. In these provinces then we shall have such certainty as may properly be embodied in accounts. For the other parts of India it may not be practicable to enact such provisions or to obtain such certainty; and for those provinces we must accept the best calculations that can be made by the local authorities.

Thus the establishment of a revenue account of the canals of the period beginning from 1869-70 is in due train.

It has also been suggested that such an account should be prepared for works of periods antecedent to 1869-70, such as the Ganges canal, the Punjab canals, and most of the Madras irrigation works. Now, so far as expenditure on one side, and water-rent on the other side, may go, the account has been duly made up. But in Northern India the water-rent shows only a part (though a large part) of the canal income; the remainder consists of improvement in land revenue. In the Madras Presidency generally (with the exception of the particular works belonging to the Madras irrigation company), there is no such thing as water-rent; the whole income of canals consists of improvement of the land revenue; and therein is room for controversy. Some will claim the entire improvement of land revenue from one period to another; others will demand abatement, alleging that there would have been improvement in the land revenue even without the canals. And as no capital or revenue accounts were formally established at the outset for any of the canals, whether in Northern or in Southern India, the preparation of such statements at this late period cannot be satisfactorily completed. Why at the beginning, some 30 or 35 years ago, such accounts were not drawn out is a question

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which may be asked, but cannot now be perfectly answered. The works were then constructed out of ordinary income; there were no separate transactions for raising funds; the regular income might not always be sufficient to defray such outlay, and there might be deficit: such deficit, however, was not attributed to this outlay in particular, but to the general expenditure. And the broad consideration was that, in constructing these works, the Government was fulfilling one of its highest duties, and conferring a public benefit, the cost of which might fairly be borne by the general revenues.

On the whole, it may be said that the capital and revenue accounts will be made quite complete for the new canals, namely, those of the Soane, of Sirhind, of the Jumna near Agra, of the lower Ganges, and of Orissa; that they will be nearly complete for the canals of the Ganges, of the Jumna, eastern and western, and of the Baree Doab; that they will be made up in some form for the Madras canals, but whether such form will at all approach to the exact nature of an account is more than I can say at present. For any new works that may be undertaken in the Madras or Bombay Presidency, or in any province, there will be capital and revenue accounts.

As regards the Madras irrigation works, however, I can affirm—having had the advantage of studying the subject on the spot in company with the best informed authorities—that they are eminently successful, and abundantly remunerative in the highest sense both to the State and to the people; and that the benefits, direct and indirect, are so great that they can hardly be represented adequately by any regular account, in whatever form it may be prepared.

I now proceed to the fourth and last division of the subject, namely, the ways and means and the cash balance account.

It will be remembered that the regular estimate for the past year, 1871-72, showed an expected cash balance in India at the close of that year of £21,640,143, or 21½ millions. The accounts, however, for that year, as finally made up, show a cash balance somewhat exceeding the estimate, namely, £21,997,715, or 22 millions. This excess is attributable to the surplus of income over ordinary expenditure being larger than was expected, and the extraordinary expenditure being somewhat less.

For the current year, 1872-73, the budget gave an estimated cash balance at the close of £17,541,543, or 17½ millions in India. The regular estimate now shows a somewhat larger sum, namely, £19,300,000, or 19¼ millions.

There have been various causes during the year affecting the amount of the balance—some favorably, others unfavorably. The circumstances producing a favorable effect have been, first of all, the excess sum of £357,572 in the opening balance; then the expenditure in India on public works extraordinary has been less than estimate by £204,700; the surplus of income over ordinary expenditure in India has been greater by £1,053,300, and the railway capital account by £1,143,000. On the other hand, the causes operating in diminution of the balance have been the increase of £1,260,000 in the amount of Secretary of State's bills paid, and the investment of one million of the cash balances as already explained.

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The coming year 1873-74, which is expected to open with a cash balance of £19,300,000 as just seen, has an estimated balance at its close of £14,800,000, or nearly 15 millions. It is not now proposed that there should be any borrowing, either in England or India, for the public works extraordinary. In my last exposition it was shown in detail that in 1872-73 we had $2\frac{1}{2}$ millions in hand remaining of the money raised by loan. It was then expected that the expenditure of the year for these works would absorb the above-mentioned remainder. This expectation, as already seen, has been actually fulfilled.

As directly bearing on the amount of cash balance which ought to be kept up, there is still the fact, adverted to in my previous expositions, that the exchequer owes a considerable sum on the capital account with the guaranteed railways. On the last occasion it was shown that the payments from the treasuries for the construction of the lines, when set against the capital subscriptions in England received by the Secretary of State, left a debt due by the treasury of $3\frac{1}{2}$ millions. This debt has now been reduced to $2\frac{1}{4}$ millions. Even the reduced sum, however, is considerable, and the fact dictates the necessity of maintaining a strong cash reserve.

This circumstance again has a bearing upon the amount to be drawn from India by the Secretary of State during the year. This amount is set down (as already stated to-day) at $13\frac{1}{2}$ millions, for which purpose we estimate that bills to total amount of $14\frac{1}{3}$ crores of rupees must be drawn upon India. It is arrived at in this way: the net expenditure ordinary in England on account of the Government of India is estimated at

£7,943,800, or 8 millions; the extraordinary expenditure, chiefly stores for works in progress in India, at £832,200, or more than ¾ million; the guaranteed railway interest at £4,652,000, or 4½ millions. These three items make up the amount of £13½ millions.

I may here add that the amount of the bills drawn by the Secretary of State, outstanding at the beginning of 1873-74, is expected to be £863,000.

The general cash account of the Indian treasury will be found in the appended statement of the estimated receipts and payments in England and in India during 1872-73 and 1873-74. It will be sufficient here to mention the main items in the statement for 1873-74.

For 1873-74 then, on the receipt side (total for England and India), besides the opening balance of £22,138,852 and the Government income of £48,286,000 already described, there are traffic receipts of guaranteed railways, recoveries and deposits, provincial and local funds, and receipts on remittance and suspense account, which bring up the total to £138,117,527, or more than 138 millions. On the payment side, besides the Government expenditure, ordinary and extraordinary, as already described, there are working expenses of guaranteed railways, advances recoverable, deposits to be repaid, sums payable on bills drawn by Secretary of State, disbursements for construction of guaranteed railways in India, and some transfer entries, which bring up the total to £121,052,959. This total, on being deducted from the total on the receipt side, leaves the anticipated sum of £17,064,568, or 17 millions, as the probable balance at the close of the year, that is, on the 31st March 1874.

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The statement also shows, in separate columns, an abstract estimate of the cash account kept by the Secretary of State in London on account of India for 1873-74. On the receipt side there is the opening balance of £2,838,852; the amount to be received on bills of exchange drawn on India is set down at 13½ millions; there will be 1½ million railway capital subscribed; all which, together with some smaller items, make up a total of £18,139,527. On the payment side there will be an expenditure in England on account of India of £13,575,200; there will be £1,142,700 paid on the remittance account, and there will be £1,154,059 of railway capital withdrawn. These, together with some smaller items, make a total of £15,874,959, which, deducted from the total on the receipt side, leaves a probable closing balance of £2,264,568 on the 31st March 1874.

In the statement there will be found an entry on the receipt side of £1,100,200, "borrowed," notwithstanding that no loan is to be raised, as already stated, which item is, however, partly counterbalanced on the payment side by £833,900, "debt paid." These entries relate to the consolidation of the 4 per cent. loans of 1824-25, and 1828-29, and others, into the similar loans of 1842-43 and of 1865; also to the issue of notes of the 4½ per cent. loans of 1870 and 1872 in lieu of the 5 per cent. notes of 1856-57 and the 4½ per cent. notes of 1856-57. In all these cases the amount of notes issued appears under the head of "borrowed"; and the amount of notes received appears under the head of "debt paid." There are some cash payments on some of the notes of 1856-57 loan which had to be discharged, because the holders failed to make application for trans-

fer to the loan of 1872. There is also an instalment of the sum to be advanced by the Maharaja Sindhia for the construction of a railway from Agra to Gwalior, and an instalment of the payments made by the Maharaja Holkar for the railway to Indore, as adverted to in my previous expositions.

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The estimates relating to the budget are elaborated by a sound method. First, they are prepared by the executive authorities on the spot; then transmitted to the local accountant general, and, after revision by him, examined by the local Government. After this, they are submitted to the Government of India in the Financial Department in the beginning or middle of January. They are then considered there, heading by heading, item by item, repeatedly, as later information is received. A statement of proposed modifications is prepared and sent to each local accountant general, who, in communication with the local Government, returns his answers to the Government of India during the month of February; these answers are then considered, and the result embodied in the draft budget by the beginning of March. A date is then fixed, towards the end of March, by which date the latest information on every point is sent by electric telegraph to the Financial Department; and thus the last rectifications are made in the budget estimate before it is produced. The same system *mutatis mutandis* is established for all the imperial departments, army, railways, post office, electric telegraph, and others, under the direct control of the Government of India.

Before concluding I must touch on a few subjects connected with finance.

MISCELLANEOUS.

MISCELLANEOUS.

Since January 1872, the note circulation of the Government paper currency has developed itself considerably. For several months it has exceeded 13 millions. For the year 1872-73 the average net circulation has amounted to £12,972,340. The highest point reached was that of £13,660,872 or 13¾ millions. All these figures represent growth and expansion of the paper currency. I have hardly space enough to enter on the details of the causes of this result: One main cause, however, is immediately apparent in the increase of the export trade, as already shown ; which trade promotes activity of monetary circulation between the trading ports and the producing districts in the interior. Another cause is the facility afforded by Government for the encashment of notes, under the order authorising the provincial offices of issue to cash notes of other circles besides their own within certain limits. In this way accommodation has been afforded by the encashment of several millions worth of notes which could not otherwise have been cashed. Something also has been effected by the issue of notes of additional denominations. Five-rupee notes have been issued, and 557,500 of these notes have been asked for since July last, when the issue first began. The convenience to bankers and others having large transactions has been consulted by the issue of notes of ten thousand rupees. The opening of currency agencies in some of the district agencies has had but slight effect as yet. There are twenty such agencies, and the amount consigned to them in notes and in silver is over a quarter of a million sterling, or £280,000.

The Government Savings Banks of all kinds have a return of 60,000 depositors and £1,461,090, or nearly

1½ million of deposits. The number of District Savings Banks in Bengal is 110, in which £71,095 are held in deposit by 3,646 depositors. All the above figures show a considerable increase over those of last year.

The number of Money Order Offices now open in British India is 302, against 362 as given in my statement last year. This diminution in number is owing to the abolition of many offices which were found to be inoperative. But the number of orders issued during the year 1871-72 was 251,123, amounting in value to £1,251,400, against 242,700 issued during the previous year, which amounted to £1,300,600. On the whole, it may be said that this useful branch of business performed by the State for the public is fairly well sustained.

The arrangements for a money order system between India and England have been completed, and have had effect from the 1st of October last, since which date 4,181 overland money orders have been issued and received at Bombay. The amount of these orders is £28,312. In this branch of the business we anticipate further development.

In my last exposition a classified abstract was given of the public debt of India, and reference was made to the high prices commanded by the 4 per cent. stock in India and in England. Subsequently these prices have been still higher; not only reaching par, but standing at a premium of nearly 2 per cent. in India and 3 per cent. in England. The credit of the Government of India in the money market has hardly ever been in so satisfactory a position as at present, and may be measured by a rate of interest something below 4 per cent.

CONCLUSION. I shall now summarize the chief points in the explanations which have been given. It has been shown, then—

*that* for 1871-72 there is an actual surplus of £3,124,178, or more than 3 millions of income over ordinary expenditure;

*that* this surplus is owing to increase of net opium receipts and to reduction of expenditure;

*that* for 1872-73 there is an estimated surplus of £1,354,000, or $1\frac{1}{3}$ million of income over ordinary expenditure, owing to increase of net opium receipts;

*that* the surplus from beginning of 1869-70 to end of 1872-73 will be 6 millions;

*that* this surplus almost counteracts the deficit of $6\frac{1}{4}$ millions which occurred between the beginning of 1866-67 and the end of 1868-69;

*that* for 1873-74 there is estimated an equilibrium between income and ordinary expenditure supported by a small surplus of £220,000;

*that* the income-tax for 1872-73, which is about to expire, will not be renewed for the coming year;

*that* the net receipts of the several income-tax measures passed between 1869-70 and 1872-73 amount to £4,453,232, or $4\frac{1}{2}$ millions;

*that* the concession to the several local governments of increased financial control over certain provincial services continues to work well as regards both efficiency and economy;

*that* an account is published of the receipts and expenditure of provincial services and local funds, embracing the actual figures of 1871-72, the regular estimate of 1872-73, and the budget of 1873-74;

*that* the 2½ millions which had remained in hand of money borrowed for public works extraordinary have been expended during the year 1872-73;

*that* the entire borrowing since 1869-70 having been equalled by expenditure on public works extraordinary since that date, the account of loan money and of extraordinary expenditure for that period is closed;

*that* capital and revenue accounts for works of irrigation are being established, as far as existing circumstances render the arrangement practicable;

*that* it is proposed to meet £3,878,000, or nearly 4 millions of expenditure on public works extraordinary during 1873-74 without borrowing either in England or in India;

*that* the Indian treasury is to meet bills to be drawn by the Secretary of State in England, during 1873-74, to the amount of 14⅓ crores of rupees;

*that* the cash balances in India are estimated at £19,300,000 on the 31st March 1873, and at £14,800,000 on the 31st March 1874;

*that* the interest on the public debt of India has been reduced by £235,000 per annum since 1871-72 with a prospect of still further decrease;

*that* the government paper currency has had a circulation of more than 13 millions sterling;

*that* the prices of the 4 per cent. securities of the Government of India have been higher than ever, and that the stock now commands a premium of 2 per cent.

In concluding this exposition, I need not again dwell on those principles of financial policy which have been vindicated on previous occasions. On a retrospect of the results which have accrued during the period of five

CONCLUSION. years which is now approaching its termination, I find that our hopes have in some respects been more than realized, and in other respects have been disappointed. Though the ordinary revenue of India has increased, and has in a certain degree flourished, it has not proved as elastic as we might desire; its growth is perceptible indeed, but slow and gradual. The obstacles to the imposing of additional taxation, imperial or local, to any appreciable amount, have proved practically great. There are acknowledged defects in our salt duties, and in our inland customs system, and in our export tariff, which we have not yet been able to remedy. The opium crops, always regarded as precarious, have of late been subject to embarrassing vicissitudes of season. The import trade of the country, as respects European piece-goods, has hardly developed of late; and we expected that the people of India, with their recently good harvests and general prosperity, would have augmented their consumption of these goods more largely than has been the case. Although the cotton trade of India received a powerful impulse after the American war, and although the advanced position then gained is not wholly lost, still it is to be feared that the country is not fully maintaining the place it occupied for a time in the cotton marts of Europe, and is less and less able to compete with the reviving power of the Southern States of America. The extension of canal irrigation in Northern India is tardy and uncertain to a degree hardly anticipated by us after the warnings which the people have received from the periodical recurrence of drought and famine. It is now certain that some period must elapse before the great canals, which have been undertaken or may yet be commenced in Northern India, can repay the

interest on the capital laid out by the State on their construction. The earnings of the completed series of guaranteed railways are much below our anticipations: though the native passenger traffic is increasing, still the goods traffic lags behind, indicating sometimes even a tendency towards retrogression, while the competing communication by water and by road continues to prosper. For a long time to come, the possession of these railways, however beneficial in other respects, must prove to be a burden on the finances. As regards metallic currency, public opinion has not practically manifested any desire for the introduction of a gold coinage with legal tender.

These several circumstances must be sources of disappointment more or less to all persons concerned in the affairs of Indian finance.

But as a counterpart of the case, there are points where the advantages have exceeded our hopes. The aggregate of surplus income over ordinary expenditure is very considerable. Though deficit occurred in some years, it is now seen to be counteracted by surplus in other years. If the finance of India be examined upon a series of years, an approximate equilibrium between income and ordinary expenditure will be found to exist. The possibility of repressing the public expenditure within prescribed bounds has been satisfactorily demonstrated. Notwithstanding the influences of a progessive age, the demands of administrative reform, and the needs of a growing civilization, some reduction of expenditure has been found practicable. The experiment of entrusting local authorities with increased financial control, so as to secure not only greater activity in improvement, but also greater economy in administration, has proved

Conclusion. successful. The export trade has, in regard to several of its staples, advanced in a remarkable manner. Some agricultural products, such as jute-fibre, rice, and oil-seeds, some products produced under European supervision, such as tea and coffee, are fast acquiring a prominent position in the markets of the world. The Suez canal is already exerting upon Indian trade an influence equal even to the hopes of the projectors, and is bringing the trade centres of India into direct connexion with the ports of continental Europe. The prices commanded by Indian opium in Chinese markets have been so high as to produce important fiscal results. Separate resources have been provided by loan funds for public works of a reproductive character, whereby the operations so essential to the welfare of the country can be prosecuted without the interruptions to which the course of ordinary finance is liable. On the other hand, the interests of the ordinary finance have been preserved from the temptation to charge to capital account various items which may be hard to be defrayed, but which, nevertheless, ought to be defrayed from current revenue. An effective restriction has been exercised on the transfer to the extraordinary head of charges which ought to be treated as ordinary. A separate account of the borrowing for the extraordinary public works, and of the expenditure on those works, has been successfully established. The national credit of India has stood almost unprecedentedly high, and may be measured by a rate of interest somewhat less than 4 per cent. The rate of interest which exceeded 4 per cent. on portions of the public debt has been successfully lowered. The note circulation of the government paper currency, though it has not spread among the

masses of the people, has yet established itself at the trade centres with expansive vigour. The general treasury has remained so full as to afford a strong cash reserve, which proved of service in maintaining the public credit at a time when the occurrence of deficit had caused discouragement. Then as a part of the cash reserve was deposited in the presidency banks, it did not lie idle, but was to some extent utilised for the benefit of commerce. CONCLUSION.

On the whole, a comparison of those matters wherein success has been attained with those wherein disappointment has occurred, confirms me in the view that it has been possible so to administer the finances of India that troubles and difficulties might be vigorously encountered, and that in time of peace there might be exhibited a constantly increasing prosperity. In respect to the future, I need not offer any prediction.

RICHARD TEMPLE.

*March* 27, 1873.